



Control Number 45848



Item Number 21

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**SOAH DOCKET NO. 473-16-5011.WS
PUC DOCKET NO. 45848**

**CITY OF CELINA'S NOTICE OF § BEFORE THE STATE OFFICE
INTENT TO PROVIDE WATER §
AND SEWER SERVICE TO AREA § OF
DECERTIFIED FROM AQUA §
TEXAS, INC. IN DENTON COUNTY § ADMINISTRATIVE HEARINGS**

DIRECT TESTIMONY AND EXHIBITS

OF

DARRYL G. WALDOCK

ON BEHALF OF

AQUA TEXAS, INC.

August 16, 2016

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DIRECT TESTIMONY AND EXHIBITS OF
DARRYL G. WALDOCK
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AT-1	June 13, 2016 Aqua Texas, Inc. Appraisal Report
AT-4	TCEQ Order Transferring CCNs to Aqua Texas
AT-5	Aqua Letter to TCEQ regarding TPDES Permit Renewal
AT-6	List of Documents Produced to Korman Group
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AT-9	Bills of Sale – Aqua Utilities to Aqua Texas and Aqua Development to Aqua Texas

1 **DIRECT TESTIMONY OF DARRYL G. WALDOCK**

2 **ON BEHALF OF**

3 **AQUA TEXAS, INC.**

4 **I. BACKGROUND AND QUALIFICATIONS**

5 **Q. Please state your name and business address.**

6 **A. My name is Darryl G. Waldock. My business address is Aqua Texas, Inc. 9450**
7 Silver Creek Road, Fort Worth, Texas, 76108.

8
9 **Q. What is your present position?**

10 **A. I am the North Texas Area Manager for Aqua Texas, Inc. which, with affiliates**
11 Aqua Utilities, Inc. and Aqua Development, Inc. d/b/a Aqua Texas ('Aqua').
12 Aqua America, Inc. is the publicly traded parent company of all three Aqua entities
13 and is headquartered in Bryn Mawr, Pennsylvania. Currently I am responsible for
14 the daily operations of over 170 water and wastewater systems extending from
15 Abilene to the Louisiana border and from Waco, Granbury and Lake Palestine to the
16 Oklahoma border. Staffing consists of 4 managers, 28 field personnel and 4 office
17 personnel. My responsibilities include water and wastewater operations, capital
18 improvements coordination, meter reading, customer relations, customer field
19 services, repairs and maintenance, preventative maintenance and budget
20 development and monitoring. I oversee Aqua's North Texas Region certificated
21 service areas that included the approximately 128.01 acres of land (the 'Property')
22 before a developer entity. CADG Sutton Fields II, LLC, applied to the PUC to

1 decertify the Property via the expedited release process ("Property") from Aqua
2 Texas, Inc.'s water certificate of convenience and necessity (CCN) No. 13201 and
3 sewer CCN No. 21059 in Denton County, Texas.

4
5 **Q. Please describe your educational background.**

6 **A.** I have been in the water and wastewater business for 25 years, and I hold a Class
7 'A' Texas water operator's license and a Class 'A' Texas wastewater operator's
8 license issued by the Texas Commission on Environmental Quality ("TCEQ"). I
9 received a Bachelor of Engineering degree from the University of Southern
10 Queensland in Australia in 1981. I have also completed courses towards my
11 Masters in Civil Engineering at the University of Houston, and the University of
12 Texas. In 1986, I completed the Project Management and Planning certification
13 program through the College of Engineering of the University of Texas at Austin,
14 Texas. Additionally, over the course of my professional career, I have completed
15 hundreds of hours in TCEQ-certified water and wastewater courses through the
16 Texas A&M Engineering Extension School ("TEEX") and the Independent Water
17 and Sewer Companies of Texas ("IWSCOT").

18
19 **Q. Are you a member of any professional associations?**

20 **A.** Yes. I have been a member of the Texas Water Utilities Association and the
21 American Water Works Association since 1982. I am also a member of the Water

1 Environment Federation, the National Association of Water Companies and the
2 Texas Rural Water Association.

3
4 **Q. Please describe your professional experience.**

5 **A.** I began my professional career in 1982 as a Project Engineer with W.C. Engineers,
6 Inc. a subsidiary of Severn Trent Environmental Services, Inc. located in The
7 Woodlands, Texas. I managed the daily inspection of all water, wastewater and
8 drainage construction projects and assisted with the completion of \$20 million of
9 construction and capital improvements over a three year period. In 1985 I was
10 hired by Severn Trent Environmental Services, Inc. as a Project Manager for the
11 Southwest Area Improvements Project in Austin, Texas. My responsibilities
12 included managing 9 municipal utility districts and 2 private water and wastewater
13 systems in Austin, Texas. In 1988, I was promoted to Regional Manager, and I
14 was responsible for all departments in the Austin and Fort Worth offices, including
15 field operations, systems maintenance, accounting and billing. I supervised 8
16 managers and 54 employees, and I managed water and wastewater facilities for 24
17 municipal utility districts, 4 cities and 10 private clients. In 1996, I transferred to
18 Colorado Springs, Colorado, where I became a Senior Area Manager and was
19 responsible for a 2.5 million gallon/day wastewater treatment facility, 17 water
20 wells, 9 wastewater lift stations and an on-site wastewater laboratory. I supervised
21 14 employees who provided water distribution, wastewater collection, meter
22 reading, billing and collection services for approximately 5,000 connections. I

1 also directed an \$8 million ongoing capital improvement budget, which included
2 telemetric monitoring and controls. In 1998, I assumed the role of Director of
3 Marketing in Colorado Springs, Colorado, where I managed the company's public
4 and private sector marketing program for Colorado, Oklahoma, New Mexico,
5 Arizona and Arkansas. My responsibilities included managing Proposal Teams,
6 attending pre-bid meetings, participating in facility tours and preparing bids and
7 responses to requests for proposal with pricing and cost information. I also drafted
8 company contracts and prepared and conducted company presentations to various
9 Councils and Selection Committees.

10 In June 1998 I was hired by Aqua Source Utility, Inc. in the Fort Worth,
11 Texas, office as the North Texas Area Manager. In this position, I was responsible
12 for the daily operations of approximately 152 water and wastewater utility systems
13 extending from Abilene, Texas, to the Louisiana border, and from Granbury, Texas,
14 to the Oklahoma border. My duties included water and wastewater operations,
15 coordinating capital improvements, meter reading, customer relations, customer
16 field services, repairs and maintenance, preventative maintenance, and budget
17 development and monitoring. I also supervised a staff of five managers, 28 field
18 employees, and 4 office employees. In February 2002, I became the Regional
19 Manager for Aqua Texas Inc.'s Central and North Texas region, where I was
20 responsible for the daily operations of approximately 233 water and wastewater
21 utility systems from Abilene to Louisiana and from Corpus Christi to Kerrville and
22 to the Oklahoma border. My duties included water and wastewater operations,

1 coordinating capital improvements, meter reading, customer relations, customer
2 field services, repairs and maintenance, preventative maintenance, and budget
3 development and monitoring, and I supervised a staff of 11 managers, 57 field
4 employees and 26 office employees. In June of 2005, I became Superintendent of
5 the North Texas Region. My title was subsequently changed to Area Manager of
6 the North Texas Region, but my responsibilities did not change. I became
7 responsible for the daily operations of approximately 152 water and wastewater
8 utility systems that extend from Abilene to the Louisiana border and from Waco,
9 Granbury and Lake Palestine to the Oklahoma border. That number has now
10 increased to 170 water and wastewater systems. My duties include water and
11 wastewater operations, coordinating capital improvements, meter reading, customer
12 relations, customer field services, repairs and maintenance, preventative
13 maintenance, and budget development and monitoring. A copy of my resume is
14 attached to my testimony as AT-7.

15
16 **Q. Have you previously testified in regulatory proceedings?**

17 **A.** Yes. I have previously testified as an expert and fact witness in administrative
18 proceedings before the TCEQ and the State Office of Administrative Hearings
19 (“SOAH”).

20 **II. OVERVIEW OF TESTIMONY**

21 **Q. What is the purpose of your testimony?**

1 **A.** I will provide testimony concerning my knowledge relevant to this case. I will also
2 discuss the information and documents I provided to Aqua’s consultants in their
3 preparation of the June 13, 2016 appraisal report filed in this docket prepared by
4 KOR Group, Inc. (“KOR Group”) for Aqua (“Aqua Appraisal Report”). **AT-1.**
5 In particular, I will discuss how I assisted KOR Group in identifying the Aqua
6 property interests rendered useless or valueless because of the Property
7 decertification in Docket No. 45329 so that KOR Group could value those interests
8 in the Aqua Appraisal Report.

9
10 **III. PROPERTY RENDERED USELESS OR VALUELESS BY**
11 **DECERTIFICATION**

12 **Q.** **Will you please provide background information indicating how you first**
13 **became involved in this case?**

14 **A.** Yes. A developer entity called CADG Sutton Fields II, LLC (“Developer”)
15 applied to the Public Utility Commission of Texas (“PUC” or “Commission”) to
16 decertify the Property, comprised of approximately 128.01 acres of land, via the
17 Texas Water Code (“TWC”) §13.254(a-5) expedited release process from Aqua’s
18 water certificate of convenience and necessity (CCN) No. 13201 and sewer CCN
19 No. 21059 in Denton County, Texas. That application was assigned PUC Docket
20 No. 45329. I provided affidavit testimony in that docket in response to
21 Developer’s expedited release application. Aqua opposed the Developer’s request
22 because the Property was receiving service from Aqua according to the TWC

1 §13.002(21) ‘service’ definition. The Commission released the Property over
2 Aqua’s objections.

3 Later, Aqua received a notice of intent from the City of Celina (“City”) filed
4 with the Commission seeking approval to serve the decertified property which
5 commenced this PUC Docket No. 45848. The Commission ordered Aqua and the
6 Developer to perform a property appraisal under TWC §13.254 and P.U.C SUBST.
7 R. 24.113. Aqua retained KOR Group, Inc. (“KOR Group”) to perform that
8 appraisal. As the primary point of contact for Aqua’s North Texas Region, I was
9 responsible for sharing Aqua information and documents with KOR Group to assist
10 with their work on the Aqua Appraisal Report.

11

12 **Q. How did you help KOR Group prepare the Aqua Appraisal Report?**

13 **A.** KOR Group and I reviewed TWC §13.254(d) and (g). We also reviewed 16 Texas
14 Administrative Code (“TAC”) 24.113(h) and (k). We also reviewed the definition
15 of “facilities” and “service” in TWC §§ 13.002(9) and (21). I provided information
16 and documents to KOR Group related to our growth project for the Property which
17 we had always referred to at Aqua as ‘Prosper Point’ so they could determine what
18 was rendered useless and valueless by the Property decertification in the Aqua
19 Appraisal Report.

20

21 **Q. Can you describe what information about Aqua’s property interests you**
22 **reported to the consultants?**

1 A. Yes. Aqua Texas, Inc. has held CCN Nos. 13201 and 21059 since December 12,
2 2012. **AT-4.** There was a broad assignment of all Aqua's North Texas Region
3 assets acquired over the course of many years to Aqua Texas, Inc. that was
4 consummated as part of that process. **AT-9.** Therefore, at KOR Group's request,
5 I provided information going back to the beginning of Aqua's Prosper Point project
6 plus a Prosper Point net income projection because it represents Aqua's full
7 property interests with respect to the decertified Property area today. I did not
8 provide information to KOR Group for the purpose of identifying any Aqua
9 property interest unrelated to the Property.

10 Aqua and its staff have heavily invested time and money in the Prosper Point
11 project which we fully expected to be developed within the decertified Property
12 area. Aqua performed planning and design activities, and committed facilities
13 toward those activities, specifically to serve the Property. Approximately 225
14 internal staff hours were spent to perform such duties with respect to the Prosper
15 Point project undertaken to serve the Property.

16 For example, Aqua staff participated in discussions concerning water well
17 test drilling as part of water source planning for the Property. and participated in
18 contract negotiations with the Upper Trinity Regional Water District and the
19 Mustang Special Utility District related to wholesale water supply and wholesale
20 wastewater treatment options for the Property.

21 Aqua also negotiated with various Property owners related to other aspects
22 of water supply development and wastewater treatment/collection system for the

1 Property. The Property is located in a high growth area in Denton County and has
2 had interest from multiple developers since 2000, most recently in 2014 and 2015.
3 On March 10, 2014, Aqua and Denton County Development 128, LLC (the
4 previous property owner) executed a signed letter of intent for Aqua to provide
5 water and wastewater services to the Property, but then the Property was later sold
6 to Developer. In order to remain prepared to meet service demands, Aqua engaged
7 and worked with consultants on planning efforts related to the water distribution
8 system design, wastewater collection system design, water production facility
9 design, wastewater treatment facility design, compliance with water system
10 construction codes, operations and maintenance plans, capital improvements plans,
11 short-term and long-term water and wastewater facilities ownership issues, and
12 other retail water and wastewater utility service issues all in furtherance of service
13 to the Property. This work also included reviewing, coordinating, and commenting
14 on water supply/distribution and wastewater engineering plans prepared for the
15 Property by consultant engineers.

16 Additionally, going back to 2002, Aqua expended monies related to
17 obtaining, transferring, maintaining, and renewing TPDES Permit No.
18 WQ0014234001, which was obtained specifically to serve the Property under
19 prevailing regulations. Wastewater permits are very difficult and expensive to
20 obtain and Aqua's Prosper Point application process through which it received its
21 Prosper Point wastewater permit (TPDES Permit No. WQ0014234001) was even
22 more expensive and time consuming because it required litigation. Like other

1 TPDES wastewater permits, the Prosper Point wastewater permit required a TCEQ
2 renewal application every five years. Aqua and its predecessors-in-interest
3 ensured that the permit remained in effect while Property ownership changed hands
4 over the years because Property development by its various owners was always
5 anticipated.

6 Through all that time, Aqua remained willing and able to fulfill active water
7 and wastewater needs on the Property through its planning efforts. However, since
8 the decertification was made final in Docket No. 45329, Aqua notified TCEQ it
9 would not renew the permit. **AT-5.** The wastewater permit was rendered useless
10 and valueless since it was applied for and obtained with only service to the Property
11 in mind in terms of capacity and location of the planned wastewater treatment plant
12 facility. The Prosper Point wastewater permit has now expired.

13 Aqua has incurred and continues to incur professional and legal fees in
14 connection with decertification of the Property following the petition for expedited
15 release filed with the Commission in PUC Docket No. 45329 and now with the
16 evolving compensation process following the notice of intent to serve the
17 decertified area filed by City of Celina, Texas, in this PUC Docket No. 45848.
18 That information will need to be updated in terms of value if the Commission
19 permits the second hearing referenced in the Preliminary Order, but Aqua believes
20 just compensation needs to include recovery of these expenses. The money spent
21 on this process is useless to Aqua. Without recovery, that cash property is simply
22 lost.

1 Aqua never expected the certificated areas that included the Property to be
2 taken from it after all the efforts it poured into the Prosper Point project over the
3 years. The expedited release statute the Application was filed under was not
4 adopted until 2011 and the other expedited release statute was not adopted until
5 2005. Prior to that, Aqua had considered its certificated area to be relatively safe if
6 it invested in planning efforts with the expectation of being rewarded with increased
7 connections. Now, Aqua would just like to be made whole for the decertification.
8

9 **Q. Did you provide documentation to KOR Group in support of the information**
10 **you have discussed above?**

11 **A.** Yes. The documents I provided KOR Group are listed in AT-6. Those
12 documents are part of the Addenda attached to the Aqua Appraisal Report.
13

14 **Q. Are the documents listed in AT-6 and comprising AT-9 business records of**
15 **Aqua?**

16 **A.** Yes.
17

18 **Q. As an employee of Aqua, are you familiar with the manner in which Aqua's**
19 **records are created and maintained?**

20 **A.** Yes.
21

1 **Q. Based on Aqua's regular practices were the records made at or near the time**
2 **of each act, event, condition, opinion, or diagnosis set forth in the records,**
3 **made by, or from information transmitted by, persons with knowledge of the**
4 **matters set forth, and kept in the course of regularly conducted business**
5 **activity?**

6 **A. Yes.**

7
8 **Q. Are the business records you noted above exact duplicates of the original records?**

9 **A. Yes.**

10 **IV PROPERTY VALUED IN FILED APPRAISAL REPORTS**

11 **Q. Did you submit any information to Josh Korman or KOR Group concerning**
12 **property that was not rendered useless or valueless to Aqua by the**
13 **decertification?**

14 **A. No. The information and documents I provided were limited to property that has**
15 **been rendered useless or valueless to Aqua by the Property decertification in Docket**
16 **No. 45329.**

17
18 **Q. Does this conclude your prefiled direct testimony?**

19 **A. Yes, but I reserve the right to supplement my testimony as additional information**
20 **becomes available.**

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PUC DOCKET NO. 45848**

CITY OF CELINA'S NOTICE OF	§	BEFORE THE STATE OFFICE
INTENT TO PROVIDE WATER	§	
AND SEWER SERVICE TO AREA	§	OF
DECERTIFIED FROM AQUA	§	
TEXAS, INC. IN DENTON	§	ADMINISTRATIVE HEARINGS
COUNTY		

DIRECT TESTIMONY AND EXHIBITS

OF

STEPHEN H. BLACKHURST

ON BEHALF OF

AQUA TEXAS, INC.

August 16, 2016

DIRECT TESTIMONY AND EXHIBITS OF
STEPHEN H. BLACKHURST
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ATTACHMENTS:

AT-1	Aqua Texas' Appraisal Report
AT-2	City of Celina's Appraisal Report
AT-3	3 rd Party Appraisal Report
AT-8	Stephen H. Blackhurst, P.E. Resume

1 **DIRECT TESTIMONY OF STEPHEN H. BLACKHURST**

2 **ON BEHALF OF**

3 **AQUA TEXAS, INC.**

4 **I. BACKGROUND AND QUALIFICATIONS**

5 **Q. Please state your name and business address.**

6 **A. My name is Stephen H. Blackhurst. I am a licensed professional engineer (P.E.).**
7 My business address is 652 Grisham Dr. Rockwall, Texas 75087.

8
9 **Q. What is your present position?**

10 **A. I am an environmental compliance and utility rates and services consultant to Aqua**
11 Texas, Inc. (“Aqua”) in Austin, Texas. On November 1, 2013, I retired from Aqua
12 Texas after serving for 10 years and 4 months as the Regional Environmental
13 Compliance Manager for Aqua’s Texas operations.

14
15 **Q. What are the primary services you provide to Aqua Texas?**

16 **A. I assist Aqua with environmental compliance for water and wastewater activities, which**
17 includes interpreting and complying with Texas Commission on Environmental
18 Quality (“TCEQ”), and now Public Utility Commission of Texas (“PUC”), rules and
19 staff guidance documents, the Texas Water Code, the Texas Health and Safety
20 Code, and federal rules and regulations for public drinking water, wastewater
21 treatment, water/sewer utility rates and services.

1 **Q. What was your assignment and scope of work in this proceeding?**

2 **A.** I have special expertise in the area of certificate of convenience and necessity
3 (“CCN”) administration, and I was asked by Aqua to provide testimony describing
4 my view of the issues the Commission has set out for consideration in this docket.
5 I hope that my testimony can be a resource for all the parties involved and the
6 Commission.

7 Before I was with Aqua, I served as Manager, Utility Rates & Services
8 Section, Texas Natural Resources Conservation Commission (“TNRCC”), the
9 previous name for TCEQ, for 14 years from 1986-2000. During that time, I was
10 in charge of implementing certificate of convenience and necessity (“CCN”)
11 statutory provisions enacted by the Legislature within the TNRCC rules and
12 administering those rules for the TNRCC Executive Director and Staff. In fact, I
13 wrote most of the Chapter 291 rules that were in effect during my tenure at TNRCC.
14 While with Aqua, I was involved in monitoring and participating in the process that
15 resulted in revised Texas Water Code provisions and TCEQ rule changes related to
16 certificates of convenience and necessity.

17
18 **Q. Please describe your educational background.**

19 **A.** I received a Bachelor of Science in Civil Engineering from Texas A&M University
20 in 1970. I am also licensed in Texas as a Professional Engineer.

1 Over the course of my professional career, I have attended a number of
2 training classes and seminars related to water and wastewater utility operations,
3 rates and management, including the National Association of Regulatory Utility
4 Commissioners ("NARUC") sponsored Western Rate Seminar at the University of
5 Utah. I have also attended a number of training classes and seminars related to
6 operating water and sewer systems and environmental compliance.

7 I am a member of the American Water Works Association ("AWWA") and
8 the Texas Section of AWWA. I was also a member and advisory director of the
9 Independent Water & Sewer Companies of Texas ("IWSCOT"), the Texas trade
10 association of privately owned water and sewer companies.

11
12 **Q. Please describe your professional experience.**

13 **A.** I joined Philadelphia Suburban Corporation, now Aqua America, at the end of June
14 2003. As the Regional Environmental Compliance Manager for Texas, I was
15 responsible for ensuring that all Aqua facilities comply with state and federal
16 regulations. My duties included tracking wastewater permits and drinking water
17 compliance, preparing and filing compliance reports with state and federal
18 regulatory agencies, documenting and handling notices of violation and reporting to
19 management. In addition, I was responsible for preparing or overseeing the
20 preparation of applications for new wastewater permits and permit renewals.

21 Prior to joining Aqua, I worked as a Circuit Rider for the Texas Rural Water
22 Association. In this position, I traveled the State of Texas providing on-site

1 technical assistance to cities, municipal utility districts (“MUDs”), and water supply
2 corporations (“WSCs”) on water and wastewater regulatory and operational issues.

3 During 2001, I worked as a Utility Rates and Services Consultant providing
4 consulting services to MUDs, investor-owned utilities (“IOUs”) and WSCs
5 regarding utility rates and designated utility service areas, also known as CCNs.

6 From late 1983 through early 1986, I worked for the Public Utility
7 Commission of Texas (“PUC”) in the water rates program until jurisdiction was
8 transferred to the Texas Water Commission (“TWC”), which became the Texas
9 Natural Resource Conservation Commission (“TNRCC”) and now the TCEQ.
10 With the PUC and the TNRCC, until I retired in 2001, I planned and directed the
11 water and wastewater utility oversight program for the State of Texas. At the PUC,
12 I served as a rate engineer and the Assistant Director of the Engineering Department
13 for water and sewer utility issues. At the TWC and TRNCC from 1986 until 2001,
14 I served as Manager of the Utility Rates and Services Section as well as a Technical
15 Specialist. I participated in numerous CCN and ratemaking proceedings and
16 provided expert testimony on behalf of the PUC, TWC, and TNRCC in public
17 meetings and hearings. I also drafted administrative rules and legislation and
18 provided advice to commissioners and legislators on the impacts of pending
19 legislation.

20 In addition, I served as liaison between the Environmental Protection Agency
21 (“EPA”), the Texas Water Development Board, water utility representatives and the
22 public to coordinate the Federal Safe Drinking Water Act (“SDWA”) and State

1 Revolving Fund with utility regulations. I drafted legislation and administrative
2 rules to implement the Texas Water Code in Texas, and I developed programs to
3 provide MUDs, IOUs, and WSCs with financial, managerial and technical
4 assistance. I also developed rules and policies to provide opportunities for utility
5 acquisitions and mergers to assure long-term utility system viability.

6 During my tenure with TNRCC, I represented the agency on various national
7 panels, committees, and working groups. I served on the Staff Water Committee
8 for NARUC for 15 years, and I chaired the committee from 1986-1989. I also
9 served as a faculty member and instructor for the NARUC (National Association of
10 Regulatory Utility Commissioners) Utility Rate Schools for 16 years. I have
11 participated in numerous NARUC national conferences and committee meetings.

12 From 1981 to 1983, I worked as the Source Control Field Supervisor for the
13 State of Idaho, Department of Health and Welfare, Division of Environment, where
14 I planned and directed the public drinking water program and water quality program
15 for the Northern Region Field Office.

16 From 1970 to 1981, I worked for the Texas Department of Health – Air
17 Pollution Control Services, Gifford Hill & Co. of Dallas, Texas, and the Texas Air
18 Control Board. At Gifford Hill, I was responsible for monitoring, sampling, and
19 analyzing air pollution sources and a variety of other regulatory activities. A copy
20 of my resume is attached as AT-8.

21
22 **Q. Have you previously testified in regulatory proceedings?**

1 **A.** I have testified as an expert and fact witness in a number of administrative hearings
2 before the TCEQ (and its predecessor agencies) and the Public Utility Commission
3 of Texas. Most of those hearings were CCN and IOU rate cases.

4
5 **Q.** **How does your background relate to the issues in this case?**

6 **A.** Before I was with Aqua, I served as Manager, Utility Rates & Services Section,
7 Texas Natural Resources Conservation Commission (“TNRCC”), the previous
8 name for TCEQ, for 14 years from 1986-2000. This case involves CCN
9 decertification and the compensation process set forth in Texas Water Code
10 (“TWC”) §13.254. That process was first added to TWC § 13.254 in 1997 through
11 SB 1 (75th(R)) during my tenure as a TNRCC Manager. Part of my duties at
12 TNRCC included participating in the legislative and rulemaking processes that
13 resulted in the first version of that process. In fact, I wrote many of those rules.
14 Later, during my time with Aqua prior to my retirement, I participated as a
15 representative of Aqua in the process that led to changes now present in TWC
16 §13.254 that occurred in 2005 through HB 2876 (79th(R)). Therefore, I believe I
17 have a unique perspective on the issues in this docket that specifically relate to the
18 compensation process under TWC §13.254 and what is now 16 TEX. ADMIN. CODE
19 (“TAC”) §24.113 (previously 30 TAC §291.113).

20 **II. OVERVIEW OF TESTIMONY**

21 **Q.** **What is the purpose of your testimony?**

1 **A.** I have reviewed the July 20, 2016 PUC Commissioners' Preliminary Order, the July
2 29. 2016 State Office of Administrative Hearings ("SOAH") Order No. 2, the
3 appraisal report prepared by KOR Group, Inc. for Aqua that was filed on June 13,
4 2016, **AT-1**, and the current versions of TWC §13.254 and 16 TAC §24.113. I am
5 also familiar with many of the factual issues discussed in the direct testimony of
6 Aqua's Darryl Waldock with whom I worked for many years, including working
7 out of Aqua's Forth Worth office from 2006 until I retired in 2013. But the
8 purpose of my testimony is to offer information about how I viewed the TWC
9 §13.254 decertification and compensation process when it was first implemented so
10 the PUC may have guidance for deciding the 'property' identification issues
11 prescribed for the first hearing in this docket. The PUC was tasked with regulating
12 water and sewer CCNs (after a lengthy interim period of not regulating them) very
13 recently and I have been involved since this regulation's inception.

14

15 **Q.** **Would you please summarize your testimony?**

16 **A.** I believe the Aqua Appraisal Report has properly identified property that should be
17 the basis for compensation under TWC §13.254 and 16 TAC §24.113.

18 **Q.** **Have you attached documents to your testimony?**

19 **A.** Yes, they are marked as **AT-1** (Aqua Appraisal Report), **AT-2** (City of Celina
20 Appraisal Report), **AT-3** (3rd Party Appraisal Report), and **AT-8** (Resume of
21 Stephen H. Blackhurst).

1 **III. PROPERTY RENDERED USELESS OR VALUELESS BY**
2 **DECERTIFICATION**

3 **Q. Why does 16 TAC §24.113 contain language that states “[a] certificate or other**
4 **order of the commission does not become a vested right and the commission at**
5 **any time after notice and hearing may revoke or amend any certificate of**
6 **convenience and necessity (CCN)” if it finds certain conditions?**

7 **A.** This language is not and to my knowledge has not ever been included in TWC
8 §13.254. It was included in 30 TAC §291.113, now 16 TAC §24.113, before there
9 was any type of compensation process for CCN decertification in that rule. My
10 understanding is that it was included just to clarify that the CCN regulatory authority
11 (the TNRCC and now PUC) has the right to take away CCN service area under
12 prescribed conditions.

13
14 **Q. When was the TWC §13.254 compensation process added?**

15 **A.** The compensation process was added in 1997 in SB 1 (75th(R)). The ‘vested right’
16 language was included in the TNRCC rule well before 1997.

17
18 **Q. What did TWC §13.254 look like prior to its amendment in 1997 to add the**
19 **compensation process?**

20 **A.** Prior to the addition of the compensation process in 1997, TWC §13.254 as adopted
21 in 1993 through HB 2677 (73rd(R)) looked like this:

1 (a) The commission at any time after notice and hearing may revoke or amend any
2 certificate of public convenience and necessity with the written consent of the
3 certificate holder or if it finds that the certificate holder has never provided, is no
4 longer providing, or has failed to provide continuous and adequate service in the
5 area, or part of the area, covered by the certificate.

6 (b) Upon written request from the certificate holder, the executive director may
7 cancel the certificate of a utility or water supply corporation authorized by rule to
8 operate without a certificate of public convenience and necessity under Section
9 13.242(c).

10 (c) If the certificate of any public utility is revoked or amended, the commission may
11 require one or more public utilities to provide service in the area in question.

12 When the PUC began to regulate water and sewer utilities in the mid 70's, those utilities
13 did not have CCNs and were initially grandfathered to continue serving. When they
14 began to apply to get a CCN, which was essentially granted automatically in the early
15 days, or were required to obtain a CCN by changes in the statute, the utilities in many
16 cases just drew a shape or some lines on a map and that became their CCN area. In
17 some cases, the boundary line they drew was a fat magic marker line that could be a
18 quarter of a mile wide on the map or perhaps a hand drawn circle or unique shape with
19 no relation to identifiable boundaries. This led to many utilities receiving service areas
20 far greater in area than they ever intended to serve and many boundary disputes. Thus,
21 there was a need for the regulatory authority to be able to decertify areas under certain
22 conditions.

1
2 **Q. What did 30 TAC §291.113 look like prior to implementation of the 1997**
3 **amendments?**

4 **A.** As of its adoption effective January 10, 1996, it was much shorter and stated:

5 *(a) A certificate or other order of the commission does not become a vested right*
6 *and the commission at any time after notice and hearing may revoke or amend any*
7 *certificate of public convenience and necessity if it finds that the certificate holder*
8 *has never provided, is no longer providing service or has failed to provide*
9 *continuous and adequate service in the area, or part of the area covered by the*
10 *certificate.*

11 *(b) If the certificate of any utility is revoked or amended, the commission may*
12 *require one or more utilities to provide service in the area in question.*

13
14 **Q. What happened in 1997 that prompted the addition of the compensation**
15 **process in TWC §13.254 and later in 30 TAC §291.113?**

16 **A.** In 1997, the Texas Legislature adopted a number of changes to Chapter 13 of the
17 Texas Water Code in SB 1 (75th(R)). Water and wastewater utilities throughout
18 the state were failing and a number of changes were implemented. In 1997, there
19 was an effort to revise the decertification process so that problem water utilities
20 could be shifted to more financially viable entities. However, the Water Code
21 requires water utility owners to make investments in their water systems while they
22 hold a CCN in order to ensure continuous and adequate service through planning

1 activities among others. Therefore, there was a justifiable concern about making
2 sure a utility was made whole for lost investments rendered useless or valueless by
3 a decertification. In my view, those property interests existed separate and apart
4 from the CCN permit itself which could be taken by the regulatory agency under
5 the limited situations outlined in the statute. The TNRCC rules we adopted for 30
6 TAC 291.113 to implement the 1997 changes simply incorporated the statutory
7 provisions. We did not add anything to clarify the process. We dealt with very few
8 decertification proceedings during my time at TNRCC because it required a full
9 contested case hearing. More often, CCNs were transferred by negotiated
10 agreements.

11

12 **Q. Are you familiar with the changes to the compensation provisions in TWC**
13 **§13.254(d) and (g) that occurred after 1997?**

14 **A.** Yes. I was involved as an Aqua representative commenting on the legislative and
15 rulemaking efforts that revised the TWC §13.254 process in 2005 and I have
16 reviewed the different iterations of the statute since 1997. The 2005 revisions
17 changed some of the compensation factors, but left the remainder of TWC
18 §13.254(d) and (g) intact. With each change, the TNRCC and TCEQ continued to
19 implement the statutory language without clarifications in the rules.

20

21 **Q. What types of property could be rendered useless or valueless by**
22 **decertification under the process adopted in 1997 and now?**

1 **A.** In 1997, the Legislature did not define ‘property’ so during my time at TNRCC we
2 viewed the compensation factors set forth in the statute as instructive to that end.
3 First, those factors covered and continue to cover both tangible and intangible
4 property interests. Second, those factors covered and continue to cover
5 compensation for property interests that are not necessarily within the area being
6 decertified. Finally, I also found and continue to find the definition of ‘‘facilities’
7 in TWC §13.002(9) instructive because it broadly states that the term ‘means all the
8 plant and equipment of a retail public utility, including all tangible and intangible
9 real and personal property without limitation, and any and all means and
10 instrumentalities in any manner owned, operated, leased, licensed, used, controlled,
11 furnished, or supplied for, by, or in connection with the business of any retail public
12 utility. I note that one of the factors to look at in TWC §13.254(g) is ‘other
13 relevant factors. Collectively, this provides the regulatory authority a broad
14 collection of types of property that should be assessed for compensation purposes
15 under TWC §13.254(d) if it is rendered useless or valueless by a decertification.

16 **Q. Does TWC §13.254 permit partial decertification of CCN service areas?**

17 **A.** Yes. In fact, that is the most common type of decertification.
18

19 **Q. If part of a retail public utility’s service area is removed, should it receive**
20 **compensation under TWC §13.254 for part of its property if the remainder**
21 **retains some value for service elsewhere?**

1 **A.** Yes. Again, I would look to the factors in TWC §13.254(g) and the facilities
2 definition in TWC §13.002(9) as also reflected in their implementing Commission
3 rules for instruction. But there can certainly be situations where part of a property
4 interest as characterized by those sections may be rendered useless or valueless due
5 to a partial CCN removal. In those situations, some sort of allocated property
6 interest would require valuation. This is particularly true in a situation with a
7 utility like Aqua that operates on a regional basis and may potentially only have a
8 discrete part of their regional CCN service area removed. That is in fact what
9 occurred with the expedited CCN releases in PUC Docket No. 45329 which
10 precipitated this compensation docket. TWC §13.254(g) specifically contemplates,
11 and has always contemplated, allocations for some of the compensation factors.

12

13 **Q.** **How does the compensation factor of “necessary and reasonable legal expenses**
14 **and professional fees” fit into the analysis of “property rendered useless or**
15 **valueless?”**

16 **A.** One concern that prompted including legal and professional expenses in the
17 compensation factors list was that legal and professional expense are a substantial
18 expense that utilities must incur to obtain and maintain their CCNs, wastewater
19 permits, or other authorizations required to provide service in terms of planning and
20 operations within a particular CCN service area. If that CCN area is removed, all
21 those costs are rendered useless or valueless. Particularly with the increase in
22 decertification applications created by the newer expedited release processes, it is

1 reasonable to include such expenses incurred in responding to decertification
2 applications in compensation to decertified CCN holders. CCN holders forced
3 into decertification proceedings by a property owner or competing retail public
4 utility, especially when there has been no failure by the utility to respond to valid
5 requests for service, are entitled to defend themselves. That only adds to the legal
6 and professional fees the utility may have already spent on the property interests—
7 including acquisition and maintenance of CCNs, permits, and other facilities—
8 being taken away against its will.

9
10 **Q. What were the changes to TWC §13.254(g) that occurred in 2005?**

11 **A.** There were several changes. First, the language about ‘factors ensuring that the
12 compensation to a retail public utility for the taking, damaging, or loss of personal
13 property, including the retail public utility’s business, is just and adequate’ was
14 changed to ‘factors ensuring that the compensation to a retail public utility is just
15 and adequate. Second, ‘the impact on future revenues and expenses of the retail
16 public utility’ was replaced with ‘the impact on future revenues lost from existing
17 customers. Third, ‘factors relevant to maintaining the current financial integrity
18 of the retail public utility’ was removed. Fourth, there was a change about
19 ‘allocable debt. Finally, there was the addition of the following language: ‘The
20 commission shall adopt rules governing the evaluation of these factors.

21
22 **Q. Do you have an opinion about those changes?**

1 A. Yes. As originally enacted, the statute clearly intended to make utilities whole
2 where their CCNs were being removed if the retail public utility had made the
3 investments necessary to acquire property interests for service to the removed areas
4 whether active or not. Tweaking the language does not change the fact there is the
5 ‘taking’ or ‘damaging’ of private property and the loss of a ‘retail public utility’s
6 business. These are still very relevant concerns.

7 The Texas Water Code requires planning within CCN service areas
8 regardless of whether active service ever actually occurs. Now, retail public
9 utilities are being forced into a CCN removal process by the Commission
10 eliminating the opportunity to actively supply water or sewer collection to gain
11 revenue regardless of investment made by the CCN holder at the whim of property
12 owners. It would not be good public policy to allow these types of actions without
13 some guarantee of reasonable compensation. It would also be a serious
14 disincentive for a utility to plan and prepare to serve its CCN area as required by the
15 CCN statutes and perhaps incentivize other retail public utilities, including cities, to
16 try to cherry pick from existing CCN areas. TWC §13.001(c) indicates that the
17 purpose of TWC Chapter 13 is to ‘establish a comprehensive regulatory system that
18 is adequate to the task of regulating retail public utilities to assure rates, operations,
19 and services that are just and reasonable to the consumers and to the retail public
20 utilities. The 2005 changes do not accomplish that task. Therefore, to make
21 sure the purpose of Chapter 13 is upheld, the Commission should either write
22 implementing rules for TWC §13.254(d) and (g), which has not been done since

1 2005 despite the added directive to undertake that task, or use a reasonable
2 interpretation of the factors provided such as 'other relevant factors' to make
3 utilities like Aqua whole when their CCN areas are removed. That is the only way
4 to provide utilities with 'just and adequate' compensation in CCN decertification
5 situations like this one under the current version of TWC §13.254. Since the
6 Commission has not adopted any clarifying rules to implement the statute, I
7 encourage the Commission to use its discretion to provide just and reasonable
8 compensation to utilities like Aqua so that this process can be effectively carried
9 out.

10
11 **Q. Have you reviewed and formed an opinion with respect to whether the Aqua**
12 **Appraisal Report has properly identified Aqua property rendered useless or**
13 **valueless by the decertification approved in PUC Docket No. 45329?**

14 **A.** Yes.

15
16 **Q. What is that opinion?**

17 **A.** In my opinion, the Aqua Appraisal Report prepared by KOR Group, Inc. has
18 properly identified the Aqua property interests rendered useless or valueless that
19 now require compensation under TWC §13.254(d) and (g).

1 **IV PROPERTY VALUED IN FILED APPRAISAL REPORTS**

2 **Q. Have you reviewed all the appraisal reports filed in this docket?**

3 **A. Yes. The appraisal reports filed in this docket that I have reviewed are included as**
4 **AT-1, AT-2 and AT-3.**

5
6 **Q. Have you formed an opinion with respect to whether the appraisal reports filed**
7 **in this docket are limited to property rendered useless or valueless by the**
8 **decertification approved in PUC Docket No. 45329?**

9 **A. Yes.**

10

11 **Q. What is that opinion?**

12 **A. The Aqua Appraisal Report prepared by KOR Group, Inc. is properly limited to**
13 **property interests rendered useless or valueless by the decertifications approved in**
14 **PUC Docket No. 45329 that now require Aqua receive just and adequate**
15 **compensation under TWC §13.254(d) and (g). The other appraisal reports filed in**
16 **this docket also limit their appraisals to property rendered useless or valueless by**
17 **the decertifications, but fail to assess the additional property interests properly**
18 **identified in the Aqua Appraisal Report.**

19

20 **Q. Does this conclude your prefiled direct testimony?**

21 **A. Yes, but I reserve the right to supplement my testimony as additional information**
22 **becomes available.**

**SOAH DOCKET NO. 473-16-5011.WS
PUC DOCKET NO. 45848**

CITY OF CELINA'S NOTICE OF	§	BEFORE THE STATE OFFICE
INTENT TO PROVIDE WATER	§	
AND SEWER SERVICE TO AREA	§	OF
DECERTIFIED FROM AQUA	§	
TEXAS, INC. IN DENTON COUNTY	§	ADMINISTRATIVE HEARINGS

DIRECT TESTIMONY AND EXHIBITS

OF

JOSHUA M. KORMAN

ON BEHALF OF

AQUA TEXAS, INC.

August 16, 2016

DIRECT TESTIMONY AND EXHIBITS OF
JOSHUA M. KORMAN
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ATTACHMENTS:

AT-1	Aqua Texas, Inc. Appraisal Report
AT-2	City of Celina Appraisal Report
AT-3	Third Party Commission Appraisal Report
AT-5	March 24, 2016 Letter to TCEQ regarding TPDES Permit Renewal

1 **DIRECT TESTIMONY OF JOSHUA M. KORMAN**

2 **ON BEHALF OF**

3 **AQUA TEXAS, INC.**

4 **I. BACKGROUND AND QUALIFICATIONS**

5 **Q. Please state your name and business address.**

6 **A. My name is Joshua M. Korman. My business address is 1401 Foch Street, Suite**
7 **150, Fort Worth, Texas 76107.**

8
9 **Q. What is your present position?**

10 **A. I am a principal and founder of KOR Group, Inc. ("KOR Group"), a full service real**
11 **estate consulting and appraisal firm based in Fort Worth, Texas.**

12
13 **Q. How long have you been in the appraising and consulting business?**

14 **A. Since 1997.**

15
16 **Q. Have you appraised both real and personal property?**

17 **A. Yes.**

18
19 **Q. What types of services does KOR Group provide?**

20 **A. KOR Group offers consulting and appraisal services for various types of property**
21 **and situations. Much of our work takes place in the litigation context with the**
22 **majority of the projects being for eminent domain. We are typically called upon to**

1 perform property and business interest valuations in a variety of situations. This is
2 reflected in my resume included as an attachment to my June 13, 2016 Aqua Texas,
3 Inc. Appraisal Report, **AT-1**, at page 11.
4

5 **Q. Do you have a business partner?**

6 **A.** Yes. John S. Kostohryz is my business partner and a principal at KOR Group.
7 We work closely on all projects, including this one. His experience is outlined in
8 his resume, which is also included in **AT-1**, at page 12.
9

10 **Q. Which of KOR Group's services are you typically asked to provide?**

11 **A.** We are asked to perform a wide range of valuation and/or appraisal services
12 including estimates of market value, highest and best use analysis, market analysis,
13 and partitions, among others. We have performed real estate appraisal services for
14 all types of properties, including office buildings, retail centers, service stations,
15 hospitals, educational facilities, apartment complexes, industrial facilities, raw and
16 developed land, timberland, restaurants, mixed-use developments, automobile
17 dealerships, mining operations, midstream operations, and master planned
18 communities. We have valued and consulted on properties in 14 different states,
19 including Texas, and assignments vary by client need.
20

1 **Q. Please describe your educational background and professional affiliations.**

2 **A.** I received a Bachelor of Business Administration with a Major in Finance from the
3 University of Texas at Austin in 1996. I have completed additional appraisal and
4 real estate related coursework accredited by the Appraisal Institute, the University
5 of Texas, and the State of Texas. I am a Texas State Certified General Real Estate
6 Appraiser, a Practicing Affiliate of the Appraisal Institute, a member of the
7 International Right of Way Association, a member and director of the Forensic
8 Expert Witness Association, and a member of several other professional
9 associations listed with my education background in my resume, included within
10 **AT-1**, at page 11.

11

12 **Q. Please describe your professional experience.**

13 **A.** During college, I worked for an independent oil and gas company as a gas account
14 manager and assistant to the Chief Financial Officer. Later, I was employed as a
15 legal aide for Texas State Representative Anna Mowery. Representative Mowery
16 was on the Land and Resource Management Committee and we were involved in
17 budgeting issues. After graduation from the University of Texas in 1996, I was
18 employed as an appraiser and consultant with Lewis Realty Advisors. In 2008 I
19 moved to Fort Worth to continue working as an appraiser and in 2013 I started KOR
20 Group with Mr. Kostohryz. I have performed hundreds of appraisals and valuation
21 assignments since 1997.

1 Some assignments I have worked on have included: assessing flooding
2 impacts on master planned communities and residential subdivisions; analyzing
3 sales, cost, and income for office buildings and retail centers; and estimating values
4 in tax increment financing districts. I have assisted with various projects involving
5 asset management, acquisitions/dispositions of property, estate tax planning,
6 contributions to family limited partnerships, market studies, analysis of
7 environmental impacts, and condemnations. I have reported on the impact of
8 existing and proposed railroad corridors and sidings on adjacent properties. I have
9 extensive experience in eminent domain cases ranging from public roadway
10 expansions to pipeline easements and working with condemnors and condemnees.
11 Assignments have also included consultation for both ad valorem and estate tax
12 purposes. Other assignments include retrospective valuations of various types of
13 real estate assets held by financial institutions in relation to Winstar cases (federal
14 litigation arising from the savings and loan crisis).

15
16 **Q. Have you previously testified in regulatory proceedings?**

17 **A.** I have provided expert witness reports and testimony in many types of eminent
18 domain proceedings including administrative hearings, depositions, arbitrations,
19 and trials. However, I have not testified in a proceeding before the Texas
20 Commission on Environmental Quality (“TCEQ”) or Public Utility Commission of
21 Texas (“PUC”).

1 **Q. How are you and KOR Group a qualified individual or firm for the purpose of**
2 **offering an opinion in this case?**

3 **A.** The issues we are dealing with in this case involve an evolving area of the law under
4 Texas Water Code (“TWC”) §13.254 and P.U.C SUBST. R. 24.113. I have read
5 those provisions of the Texas Water Code and view them as setting up a process
6 similar to the condemnation projects we have worked on. As a licensed Texas
7 appraiser familiar with the valuation of both real and personal property interests, I
8 believe we offer an important perspective for both identifying and valuing property
9 according to the Texas Water Code and PUC requirements in their current form
10 based on my background.

11

12 **II. OVERVIEW OF TESTIMONY**

13 **Q. What is the purpose of your testimony?**

14 **A.** Several months ago, Aqua Texas, Inc. (“Aqua”) retained our firm to perform a
15 property appraisal under TWC §13.254 and P.U.C SUBST. R. 24.113. Aqua
16 contacted us after receiving a notice of intent from the City of Celina (“City”) filed
17 with the Commission seeking approval to serve real property removed from Aqua’s
18 North Region water and sewer certificate of convenience and necessity (“CCN”)
19 Nos. 13201 and 21059 service areas in Denton County, Texas. My understanding
20 is that removal occurred in PUC Docket No. 45329 through a ‘streamlined’
21 expedited release process under the TWC and was initiated by a developer entity
22 called CADG Sutton Fields II, LLC. My further understanding is that Aqua was

1 ordered to perform this type of appraisal by the Commission and that my report
2 would be used by the Commission to decide the amount of just and adequate
3 compensation owed Aqua before the City could serve the decertified area. I
4 prepared an appraisal report for Aqua that was filed in this docket on June 13, 2016
5 and is attached as an exhibit to my testimony. **AT-1.**

6 I understand that the process has changed and the Commission has ordered a
7 bifurcated hearing process. My understanding is there are limited issues to be
8 decided by the Commission in this first evidentiary hearing before my property
9 valuations are considered in a second evidentiary hearing. In particular, according
10 to the Commission's July 20, 2016 Preliminary Order issued in this docket, the
11 questions to be decided are: (1) what property has been rendered useless or
12 valueless to Aqua by the decertification granted in Docket No. 45329; and (2) are
13 the existing appraisals limited to property that has been determined to have been
14 rendered useless or valueless by decertification?

15 I have reviewed the Preliminary Order and the SOAH ALJ's Order No. 2 in
16 preparing my testimony. The purpose of my testimony is to address both issues
17 identified by the Commission in the Preliminary Order.
18

19 **Q. Would you please summarize your testimony?**

20 **A.** The Aqua Appraisal Report includes my findings concerning Aqua property that
21 was rendered useless or valueless by the decertification that occurred in PUC
22 Docket No. 45329. In the Aqua Appraisal Report, we both identified and placed a

1 value on that property. However, here, I will limit my discussion to only
2 identification of property that requires valuation in this proceeding.
3

4 **Q. Have you attached documents to your testimony?**

5 **A.** Yes, they are marked as **AT-1** (Aqua Appraisal Report), **AT-2** (City of Celina
6 Appraisal Report), **AT-3** (3rd Party Appraisal Report) and **AT-5** (Aqua Letter to
7 TCEQ regarding TPDES permit renewal).
8

9 **Q. Was the Aqua Appraisal Report attached as AT-1 prepared by you or under**
10 **your direct supervision?**

11 **A.** Yes.
12

13 **Q. Are the documents attached to Aqua Appraisal Report, AT-1, and the other**
14 **information relied upon to prepare the Aqua Appraisal Report, the same type**
15 **of documents and information other experts in your field would rely upon for**
16 **the same task?**

17 **A.** Yes.
18

19 **Q. Are the attached documents exact duplicates of the originals?**

20 **A.** Yes.
21

1 **III. PROPERTY RENDERED USELESS OR VALUELESS BY**
2 **DECERTIFICATION**

3 **Q. What steps did you take to prepare the Aqua Appraisal Report?**

4 **A. As reflected in the Aqua Appraisal Report, AT-1 at 1-2, Mr. Kostohryz and I**
5 performed the following steps: (1) utilized the appraisal process to estimate just
6 compensation for the expedited release of approximately 128.01 acres of land from
7 Aqua Texas, Inc.'s water certificate of convenience and necessity (CCN) No. 13201
8 and sewer CCN No. 21059 in Denton County, Texas (the "Property") as of June 13,
9 2016 as outlined in the Texas Water Code and Texas Administrative Code; (2)
10 collected and reviewed factual information about the history of the subject,
11 including the list of documents detailed in the Aqua Appraisal Report; (3) gathered
12 market information on the surrounding market area — sources of data included, but
13 were not limited to, County deed records, County Appraisal District data, owner
14 (*i.e.* Aqua) representatives, brokers, investors, developers, and other
15 knowledgeable individuals active in the area; (4) prepared an appraisal report to
16 determine just compensation as considered by the Public Utility Commission of
17 Texas that falls outside of Standards Rules 1-10 of the *Uniform Standards of*
18 *Professional Appraisal Practice*, 2016-2017. However, we complied with the
19 portions of the *Uniform Standards of Professional Appraisal Practice* that applied
20 to the Aqua assignment.

1 **Q. What are the *Uniform Standards of Professional Appraisal Practice*?**

2 **A.** They are the Standards that appraisers are required to adhere to. As stated in the
3 Preamble, ‘The purpose of the *Uniform Standards of Professional Appraisal*
4 *Practice* (USPAP) is to promote and maintain a high level of public trust in
5 appraisal practice by establishing requirements for appraisers. It is essential that
6 appraisers develop and communicate their analyses, opinions, and conclusions to
7 intended users of their services in a manner that is meaningful and not misleading.

8
9 **Q. What is the Jurisdictional Exception Rule?**

10 **A.** It is defined as, ‘an assignment condition established by applicable law or
11 regulation, which precludes an appraiser from complying with a part of USPAP

12

13 **Q. Which parts of the *Uniform Standards of Professional Appraisal Practice* were**
14 **voided by the Texas Water Code or PUC rules for the Aqua Appraisal Report?**

15 **A.** The factors for compensation are set forth in TWC §13.254 and P.U.C SUBST. R.
16 24.113. We have followed the required factors of compensation rather than
17 Standard Rules 1-10.

18

19 **Q. How did that impact your methodology for preparing the Aqua Appraisal**
20 **Report in terms of identifying the property rendered useless or valueless by**
21 **the decertification?**

1 **A.** We used the TWC §13.254 and P.U.C SUBST. R. 24.113 compensation factors,
2 together with the Water Code definitions for ‘facilities’ and ‘service, to inform
3 our determination about what types of property interests we should consider in our
4 report. We determined that we should consider both tangible and intangible
5 property interests rendered useless or valueless to Aqua as a result of the
6 decertifications. However, we also applied concepts from our work on other
7 appraisal and valuation projects to place values on those property interests.

8
9 **Q.** **Have you formed an opinion with respect to whether Aqua property was**
10 **rendered useless or valueless by the CCN decertifications approved in PUC**
11 **Docket No. 45329?**

12 **A.** Yes.

13
14 **Q.** **Are your opinions reflected in the Aqua Appraisal Report?**

15 **A.** Yes.

16
17 **Q.** **What are your opinions and conclusions about whether the Aqua property**
18 **was rendered useless or valueless by the CCN decertifications approved in**
19 **PUC Docket No. 45329?**

20 **A.** In the Aqua Appraisal Report, KOR Group reported three main categories of
21 property interests that were rendered useless or valueless to Aqua by the CCN
22 decertifications approved in PUC Docket No. 45329: (1) intangible property

1 interests related to Aqua's Prosper Point project investments — Prosper Point is the
2 name Aqua used for its service plan activities for the Property: (2) necessary and
3 reasonable legal expenses and professional fees related to the Prosper Point project,
4 including the decertification and compensation dockets which are not yet complete;
5 and (3) Aqua's lost economic opportunity property interest. These are all
6 intangible property interests that we viewed as needed for just and adequate
7 compensation to Aqua under the TWC for the Property decertifications.

8 First, the Prosper Point project investment property items included things
9 such as facilities planning and design activities, water source contract negotiations,
10 analysis of wastewater treatment options, analysis of water distribution, budgeting,
11 and permitting and permit renewal activities. Aqua's planning activities were for
12 both retail public water and wastewater utility services. Aqua obtained and
13 maintained a water quality permit from TCEQ specifically to serve the Property
14 which it had to let expire this year after the Commission approved the Property
15 decertification. **AT-5.** That particular interest, along with the rest of its Prosper
16 Point project investments, is what we would call a 'special use' property interest in
17 the appraisal and eminent domain context and had no other value to Aqua but to
18 serve the Property. Collectively, these items comprised property interests Aqua
19 acquired and/or developed while it held the CCN for the Property that were all
20 rendered useless or valueless (or both) to Aqua by the CCN decertifications.
21 Under the TWC factors, we view those items as fitting into the category of 'any
22 expenditures for planning, design, or construction of service facilities that are

1 allocable to service to the area in question, but they may also be appropriately
2 categorized under other factors.

3 Second, we evaluated whether Aqua had incurred necessary and reasonable
4 legal expenses and professional fees both during the Prosper Point project while the
5 CCNs were in place, in the decertification docket, and in this compensation docket.
6 Aqua reported they had incurred such costs. However, Aqua was unable to help us
7 place a value on this item in terms of what was incurred specifically for the Prosper
8 Point project prior to the decertifications, so we only evaluated those legal and
9 professional expenses incurred in response to the decertification application in
10 Docket No. 45329 and this docket. This process is ongoing and our value for this
11 item will increase, but for purposes of this hearing we report our finding that these
12 expenses are additional Prosper Point project costs comprising Aqua's intangible
13 property interests rendered useless or valueless as a result of the decertifications.

14 Finally, the Property that was removed from Aqua's CCNs is in the path of
15 development and in what is considered a high growth area in Denton County, Texas.
16 Despite the above discussed property rights that were developed by Aqua and their
17 efforts and expertise, they are now denied the ability to operate within the Property
18 since the decertifications and have lost a portion of their regional economic
19 opportunity allocable to the Property. We determined this intangible property
20 interest was compensable under the 'other relevant factors' category set forth in
21 TWC §13.254(g) and P.U.C SUBST. R. 24.113(k). This property interest was part

1 of the bundle of sticks Aqua acquired and/or developed while it held the CCNs for
2 the Prosper Point.

3
4 **Q. In your experience in eminent domain cases, can there be a taking for part of a**
5 **property or property interest?**

6 **A.** Yes. In eminent domain proceedings, the type of property takings suffered by Aqua
7 in whole or in part would be part of the injury to the property owner that we would
8 value as part of compensation for a real property taking under Chapter 21 of the
9 Property Code. In such cases, when a portion of a tract or a parcel of real property
10 is condemned, compensation is determined for the part taken and any damages to
11 the remainder property taking into account the impacts of the project and the
12 condemnation. In estimating that injury or benefit, it must be an injury or benefit
13 peculiar to the property owner and that relates to the property owner's ownership,
14 use, or enjoyment of the particular parcel of property that is not experienced in
15 common with the general community. This same concept applies to personal
16 property takings. Personal property may be destroyed or damaged in whole or in
17 part. Here, Aqua has experienced an injury peculiar to it as the owner of its
18 property interests while it possessed the rights to serve the certificated areas taken
19 from Aqua in Docket No. 45329. We view Aqua's property interests during its
20 tenure as CCN holder for the Property as a bundle of sticks. Most of those sticks
21 were wholly taken, *i.e.* rendered useless or valueless, by the decertifications. The
22 lost economic opportunity interest represents a property interest that was broken

1 apart through a partial taking since it only applies to a portion of the property
2 included within Aqua's regional certificated service areas. However, the whole
3 and partial property interests rendered useless or valueless by the decertifications
4 justify compensation to Aqua. This would include Aqua's lost economic
5 opportunity property interests allocable to the Property.

6
7 **Q. Do you view the property interests assessed in the Aqua Appraisal Report as**
8 **the same as or distinct from Aqua's CCN rights that were taken away by the**
9 **Commission?**

10 **A.** I view Aqua's property interests assessed in the Aqua Appraisal Report as distinct
11 from Aqua's CCN rights that were taken away by the Commission. Aqua's
12 property interests were acquired and/or developed through its planning efforts and
13 investments in reliance on the CCN rights, but they are not one in the same. That is
14 why just compensation requires consideration of all Aqua's property interests,
15 tangible or intangible, that were rendered useless or valueless by the CCN
16 decertifications.

17
18 **IV PROPERTY VALUED IN FILED APPRAISAL REPORTS**

19 **Q. Is the Aqua Appraisal Report prepared by KOR Group limited to the**
20 **property identified above determined by KOR Group as rendered useless or**
21 **valueless by the decertifications approved in PUC Docket No. 45329?**

1 **A.** Yes. We applied what we determined were the appropriate valuation methods in
2 the Aqua Appraisal Report to only the property described previously that we
3 determined was rendered useless or valueless by the decertifications approved in
4 PUC Docket No. 45329.

5
6 **Q.** **Have you examined the other appraisal reports filed in this docket?**

7 **A.** Yes. The other appraisal reports filed in this docket that we have examined are
8 included as **AT-2** and **AT-3**.

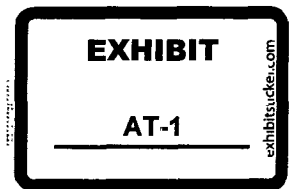
9
10 **Q.** **Have you formed an opinion with respect to whether the other appraisal**
11 **reports filed in this docket are limited to property that was determined to have**
12 **been rendered useless or valueless by the decertifications approved in PUC**
13 **Docket No. 45329?**

14 **A.** Yes. The other individuals or firms who prepared appraisal reports filed in this
15 docket did not value property beyond what they determined was rendered useless or
16 valueless by the decertifications approved in PUC Docket No. 45329. The City of
17 Celina's appraiser, Jones-Heroy & Associates, Inc. and the Commission's
18 appraiser, B&D Environmental, Inc. determined that Aqua should be compensated
19 for 'the amount of any expenditures for planning, design, or construction of service
20 facilities that are allocable to service to the area in question' that were rendered
21 useless or valueless by the decertifications. They also determined properly that
22 Aqua should be compensated for necessary and reasonable legal expenses and

1 professional fees incurred as a result of the decertifications. However, the other
2 appraisal reports do not recognize the lost economic opportunity due to the taking of
3 the property interest that our firm identified in the Aqua Appraisal Report, which
4 existed while Aqua held its CCN service areas. That is an additional intangible
5 property interest that is not speculative in this particular case, was rendered
6 valueless by the decertifications, and requires compensation in our opinion.

7 **Q. Does this conclude your pre-filed direct testimony?**

8 **A.** Yes, but I reserve the right to supplement my testimony as additional information
9 becomes available.



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

June 13, 2016

Mr. Robert Laughman
Aqua Texas, Inc.
1106 Clayton Lane, Suite 400W
Austin, Texas 78723

SUBJECT: DECERTIFICATION COMPENSATION FOR DOCKET NO. 45329; CITY OF CELINA'S NOTICE OF INTENT TO PROVIDE WATER AND SEWER SERVICE TO AREA DECERTIFIED FROM AQUA TEXAS, INC. IN DENTON COUNTY TEXAS; PUBLIC UTILITY COMMISSION OF TEXAS

Dear Mr. Laughman,

KOR Group is pleased to present this appraisal as considered by the Public Utility Commission of Texas to determine just compensation for the expedited release of approximately 128.01 acres of land from Aqua Texas, Inc.'s water Certificate of Convenience and Necessity (CCN) No. 13201 and sewer CCN No. 21059 in Denton County, Texas. The 128.01-acre tract was decertified via expedited release in Public Utility Commission of Texas Docket No. 45329 pursuant to Tex. Water Code §13.254(a-5) (TWC) and 16 Tex. Admin. Code §24.113(r) (TAC). The intended users of the report include the client (Aqua Texas, Inc.), its representatives, and the Public Utility Commission of Texas.

The subject property is currently under the ownership of CADG Sutton Fields II, LLC. The property is located along the east side of FM 1385, south of FM 428 in Denton County, Texas. The legal description is 128.01 acres of land out of the Thomas H. McIntyre Survey, Abstract No. 903, Denton County, Texas. Location and aerial maps of the subject property can be found in the Addenda section of the report. On November 10, 2015, the property owner submitted its Petition for an Expedited Release from Aqua Texas, Inc.

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 expedited release of approximately 128.01 acres of land from Aqua Texas, Inc.'s water certificate of convenience and necessity (CCN) No. 13201 and sewer CCN No. 21059 in Denton County, Texas, as of June 13, 2016 as outlined in the Texas Water Code and Texas Administrative 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. However, we have complied with the portions of the *Uniform Standards of Professional Appraisal Practice* 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 §13.254 and 16 Tex. Admin. Code §24.113;

Petition of CADG Sutton Fields II, LLC to decertificate from Aqua Texas, Inc. Sewer CCN No. 21059, Water CCN No. 13201; Denton County Texas; Docket No. 45329 (November 4, 2015);

Intervenor Aqua Texas, Inc.'s Supplemental Response to Petition; Docket No. 45329 (January 19, 2016)

CADG Sutton Fields II, LLC's reply to Aqua Texas, Inc.'s Supplemental Response to Petition; Docket No. 45329 (January 25, 2016)

Commission Staff's Recommendation of Final Disposition; Docket No. 45329 (January 26, 2016)

Proposed Order; Docket No. 45329 (February 11, 2016)

Order No. 2 – Requiring Filing of Appraisals; Docket No. 45329 (April 25, 2016)

Prosper Point Woodbine Test Well Most Probable Cost Estimate (August 30, 2013)

Prosper Point Woodbine Test Well Most Probable Cost Estimate (June 10, 2014)

Prosper Point Trinity Test Well Most Probable Cost Estimate (March 24, 2014)

Prosper Point Trinity PWS Well Most Probable Cost Estimate (June 10, 2014)

Prosper Point Paluxy Test Well Most Probable Cost Estimate (March 24, 2014)

Prosper Point Paluxy PWS Well Most Probable Cost Estimate (March 24, 2014)



Texas Commission on Environmental Quality – Permit to Discharge Wastes; Aqua Texas; Inc.
Permit No. WQ0014234001 (May 25, 2007)

Prosper Point – WWTP – Permit Notification to TCEQ – No Renewal – CCN Decertified –
(March 24, 2016)

Prosper Point – Wholesale Water Service Request – Upper Trinity RWD (March 25, 2016)

Lease for Wastewater Plant Site (July 14, 2006)

Mustang SUD Wastewater CCN Application Map (November 30, 2007)

Prosper Point – Upper Trinity RWD's Response to Aqua's Request for Wholesale Service
(June 4, 2015)

Prosper Point – Upper Trinity RWD Wholesale Water Service Schematic (October 22, 2014)

Prosper Point – Upper Trinity RWD – Permit Protest Letter (June 7, 2011)

Prosper Point – Proposed Water Wells – Collier Email (June 11, 2014)

Prosper Point – Option to Purchase WWTP Site (September 22, 2000)

Prosper Point – Mustang CCN ED Filing (October 17, 2008)

Denton County 128 Development LLC – Letter (January 23, 2014)

Prosper Point – Water and Wastewater Plant Cost Estimated (April 6, 2004)

Lease for Wastewater Plant Site (July 17, 2006)

Prosper Point – DR Horton Plan for Development (January 24, 2014)

Release and Abandonment of Easement (October 29, 2013)

Prosper Point – DR Horton Plan for Development (September 10, 2013)

Prosper Point – Denton County 128 Development – Water Supply Agreement (March 12,
2007)

Prosper Point – Denton County 128 Development – Wastewater Supply Agreement (March
12, 2007)

Prosper Point – Denton County 128 Development – Survey (May 20, 2013)

Prosper Point – Denton Co 128 Development – Letter to Celina General Development Plan
(June 16, 2015)

Prosper Point – Denton Co 128 Development – Executed LOI (March 10, 2014)

Texas Commission on Environmental Quality – Permit to Discharge Wastes; Aqua Texas, Inc.
Permit No. 14234-001 (January 9, 2003)

Texas Commission on Environmental Quality – Permit to Discharge Wastes; Aqua Texas, Inc. Permit No. WQ0014234001 (January 31, 2012)

Prosper Point – WWTP Construction Costs – 3 phases (October 14, 2013)

Highland Trails – Trinity Well # 1 TCEQ Packet – Draft – Collier (August 20, 2015)

Highland Trails – Plat (June 15, 2015)

Public Utility Commission of Texas – Notice of Approval (March 30, 2016)

Public Utility Commission of Texas – CCN 13201 (March 22, 2016)

Sewer Utility Tariff for North Region (December 5, 2011)

Projected Prosper Point Annual Consumption/Billing Analysis (June 9, 2016)

Email detailing internal staff hours (June 9, 2016)

Email estimating WWTP Permit costs (June 9, 2016)

Summary Chart – Aqua Texas, Inc. – 2015 North Operations Total (June 9, 2016)

Attorneys Fee Schedule

FACTORS FOR COMPENSATION

The required specific factors that must be considered in determining compensation of a certificate holder subject to an expedited release from a utility's CCN are set forth in Tex. Water Code §13.254(g) and 16 Tex. Admin. Code §24.113(k). Per 16 Tex. Admin. Code §24.113(k), the factors ensuring that the compensation to a retail public utility is just and adequate shall include:

Factor 1 – Amount of the retail public utility's debt allocable for service to the area in question;

Factor 2 – Value of the service facilities of the retail public utility located within the area in question;

Factor 3 – Amount of any expenditures for planning, design, or construction of service facilities that are allocable to service to the area in question;

Factor 4 – 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 the decertification;

Factor 6 – Impact on future revenues lost from existing customers;

Factor 7 – Necessary and reasonable legal expenses and professional fees; and,

Factor 8 – Other relevant factors.



ANALYSIS

The decertified area is located along the east side of FM 1385, south of FM 428 in Denton County, Texas. The Commission found in PUC Docket No. 45329 that the decertified area was not receiving active water or waste water service from Aqua Texas, Inc. at the time of decertification. However, Aqua Texas performed work and incurred expenses in connection with service to the decertified area, as evidenced by the history of the subject property, including permits and agreements with residential developers. Additionally, Aqua Texas constructed, owns, and operates the Willow Wood Addition Meadow Vista public drinking water system (PWS No. 0610212) located approximately 1.2 miles from the subject property. Aqua Texas 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 Aqua Texas based on the applicable factors for compensation.

Factor 1 – Amount of the retail public utility's debt allocable for service to the area in question

Not applicable.

Factor 2 – Value of the service facilities of the retail public utility located within the area in question

Not applicable.

Factor 3 – Amount of any expenditures for planning, design, or construction of service facilities that are allocable to service to the area in question

As previously stated, Aqua Texas has performed planning and design activities, and committed facilities toward those activities, to serve the subject property. This includes participation in discussions concerning water well test drilling as part of water source planning for the subject, participating in contract negotiations with Upper Trinity Regional Water District and Mustang Special Utility District related to wholesale water supply and wholesale wastewater treatment options for the subject, and negotiations with various owners related to other aspects of water supply development and wastewater treatment/collection system for the subject.

Aqua Texas participated and engaged consultants for planning efforts related to the subject water distribution system design, wastewater collection system design, water production facility design, wastewater treatment facility design, water system construction codes applicable to the subject, operations and maintenance plans, capital improvements plans, short-term and long-term subject water and wastewater facilities ownership issues, and other retail water and wastewater utility service issues that required consideration of the subject property. This also includes reviewing, coordinating, and commenting on water supply/distribution and wastewater engineering plans prepared for the subject property by consultant engineers.

According to Darryl Waldock, Area Manager for Aqua Texas, Inc. approximately 225 internal staff hours were spent to perform the above duties with respect to the subject property. We have estimated \$50.00 per man hour spent to perform the duties which is commensurate with the billing rates of similar engineering consultants. Therefore, we estimate **\$11,250** for the time/costs spent performing the extensive planning and design activities.

Additionally, Aqua Texas has expended monies related to obtaining, transferring, maintaining, and renewing the TPDES Permit No. WQ0014234001 since 2002, which was specifically to serve the subject property under the prevailing regulations. According to Aqua Texas, the original cost

to secure the permit was approximately **\$15,000** and the three renewals cost a total of **\$12,000**. A copy of the permit can be found in the Addenda section of the report.

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

Service costs	\$ 11,250	
Permit Costs	+ \$ 27,000	
Total Factor 3		\$ 38,250

Factor 4 – Amount of the retail public utility’s contractual obligations allocable to the area in question

Not applicable.

Factor 5 – Any demonstrated impairment of service or increase of cost to consumers of the retail public utility remaining after the decertification

Not applicable.

Factor 6 – Impact on future revenues lost from existing customers

Not applicable.

Factor 7 – Necessary and reasonable legal expenses and professional fees

Aqua Texas incurred legal fees in connection with decertification of the area in question following the petition for expedited release filed with the Public Utility Commission of Texas (PUC) by CADG Sutton Fields II, LLC (PUC Docket No. 45329) and the compensation process following the notice of intent to serve the decertified area filed by City of Celina, Texas (PUC Docket No. 45848). As of the date of this letter, reasonable and necessary legal fees identified by Aqua Texas and its counsel associated with the decertification process total **\$16,589**. We have estimated an additional **\$5,000** of fees for work that will be performed by legal counsel subsequent to the submission of the report, but related to the decertification.

Additionally, Aqua Texas engaged KOR Group to perform an appraisal report to estimate the compensation due to Aqua Texas for the decertification. The fee for the appraisal service is **\$10,000**. A copy of the engagement letter can be found in the addenda.

Legal Expenses	\$ 21,589	
Appraisal Expenses	+ \$ 10,000	
Total Factor 7		\$ 31,589

Factor 8 – Other relevant factors

The subject property is located just outside the city limits of Celina and Prosper. The property is within the Extraterritorial Jurisdiction of Celina. Celina has approximately a population of 12,000 people according to the Economic Development Council. The population is expected to grow to 30,000 people by 2020 and to over 100,000 people by 2030, making it one of the fastest growing cities in the state. There is demand for housing in the immediate market area as evidenced by significant housing development. Also, the subject property has had interest from multiple developers since 2000 and recently in 2014 and 2015. On March 10, 2014, Aqua Texas and Denton County Development 128, LLC (previous property owner) executed a signed letter of intent for Aqua Texas to provide water and wastewater services to the subject property.



According to documents provided by the client, the subject property is expected to be developed with approximately 575 housing units. According to market data, the 575 housing units could be built and absorbed in a 4 to 6-year time period due to its location in a "high growth" area. Because of the decertification of the subject property, Aqua Texas lost the economic opportunity of the reasonably probable 575 connections for both water and waste water.

In order to determine the lost economic opportunity, and intangible personal property right¹, we analyzed the achievable profits that are lost due to the decertification over a 25-year time period. We estimated the subdivision's build-out could be achieved over a 6-year time period. We estimated 50 lots could be connected by the end of Year 1 with an additional 100 lot connections for each successive year until full build-out.

We then estimated a net profit per connection for both water and sewer. The decertified area was located in Aqua Texas's North Region. Aqua Texas provided a summary of revenue and expenses for water and sewer operations for the North Region in 2015. According to the data, the annual net income per customer for water was \$188.64 (rounded) per year and the annual net income per customer for sewer was \$174.80 (rounded) per customer. Therefore, the anticipated annual net income for water and sewer customers would be \$363.45 (rounded) per year. Next the number of connections per year was multiplied by the anticipated net income per customer in order to determine the total net income per year. The annual net income was discounted to a present value in order to bring the amounts in future years into equivalent amounts today. A 15% discount rate was used which is supported by market data, including interviews with market participants and market surveys.

Below is a summary of the discounted cash flow analysis that represents the lost economic opportunity due to the decertification:

¹ "Facilities" means all the plant and equipment of a retail public utility, including all tangible and intangible real and personal property without limitation, and any and all means and instrumentalities in any manner owned, operated, leased, licensed, used, controlled, furnished, or supplied for, by, or in connection with the business of any retail public utility. Tex. Water Code § 13.002(9); 16 Tex. Admin. Code § 24.3(26).

Discounted Cash Flow Analysis					
Year	Lots	\$/Customer	Net Income	PV Factor	PV
1	50	\$363	\$ 18,150	0.86957	\$ 15,783
2	150	\$363	\$ 54,450	0.75614	\$ 41,172
3	250	\$363	\$ 90,750	0.65752	\$ 59,670
4	350	\$363	\$ 127,050	0.57175	\$ 72,641
5	450	\$363	\$ 163,350	0.49718	\$ 81,214
6	550	\$363	\$ 199,650	0.43233	\$ 86,314
7	575	\$363	\$ 208,725	0.37594	\$ 78,467
8	575	\$363	\$ 208,725	0.32690	\$ 68,233
9	575	\$363	\$ 208,725	0.28426	\$ 59,333
10	575	\$363	\$ 208,725	0.24718	\$ 51,594
11	575	\$363	\$ 208,725	0.21494	\$ 44,864
12	575	\$363	\$ 208,725	0.18691	\$ 39,012
13	575	\$363	\$ 208,725	0.16253	\$ 33,924
14	575	\$363	\$ 208,725	0.14133	\$ 29,499
15	575	\$363	\$ 208,725	0.12289	\$ 25,651
16	575	\$363	\$ 208,725	0.10686	\$ 22,305
17	575	\$363	\$ 208,725	0.09293	\$ 19,396
18	575	\$363	\$ 208,725	0.08081	\$ 16,866
19	575	\$363	\$ 208,725	0.07027	\$ 14,666
20	575	\$363	\$ 208,725	0.06110	\$ 12,753
21	575	\$363	\$ 208,725	0.05313	\$ 11,090
22	575	\$363	\$ 208,725	0.04620	\$ 9,643
23	575	\$363	\$ 208,725	0.04017	\$ 8,385
24	575	\$363	\$ 208,725	0.03493	\$ 7,292
25	575	\$363	\$ 208,725	0.03038	\$ 6,341
PV of Net Income					\$ 916,107

As detailed above, the lost economic opportunity is **\$916,107**.

TOTAL COMPENSATION

Below is a summary of the total compensation due to Aqua Texas for the expedited release of approximately 128.01 acres of land from Aqua Texas, Inc.'s water certificate of convenience and necessity (CCN) No. 13201 and sewer CCN No. 21059 in Denton County, Texas, as of June 13, 2016:

Factor 3	\$ 38,250	
Factor 7	\$ 31,589	
Factor 8	+ \$ 916,107	
Total Compensation		\$ 985,946



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

A handwritten signature in cursive script, appearing to read "Josh M. Korman".

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

A handwritten signature in cursive script, appearing to read "John Kostohryz".

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



QUALIFICATIONS

**JOSHUA M. KORMAN**

Experience: Mr. Korman is a principal of KOR Group, a full service real estate consulting and appraisal firm based in Fort Worth, Texas. Mr. Korman has been appraising real property since 1997. Mr. Korman's assignments have involved property types including, but not limited to, office buildings, retail centers, service stations, hospitals, educational facilities, apartment complexes, industrial facilities, raw and developed land, timberland, restaurants, mixed-use developments, automobile dealerships, mining operations, and master planned communities. Mr. Korman has valued and consulted on properties in Alabama, Arkansas, Florida, Kansas, Louisiana, Mississippi, Nebraska, New Mexico, New York, North Carolina, Oklahoma, South Carolina, Tennessee, and Texas.

Mr. Korman's assignments have included flooding impacts on master planned communities and residential subdivisions, analysis of sales, cost and income for office buildings and retail centers, estimates of value in tax increment financing districts, asset management, assistance in acquisitions/dispositions of property, estate tax planning, contributions to family limited partnerships, market studies, analysis of environmental impacts, and condemnation. Specific assignments include reporting on the impact of existing and proposed railroad corridors and sidings on adjacent properties. He has had extensive experience in eminent domain cases ranging from public roadway expansions to pipeline easements. Assignments have also included consultation for both ad valorem and estate tax purposes. Mr. Korman has testified in eminent domain proceedings and before appraisal district review boards in ad valorem tax disputes. Other assignments include retrospective valuations of real estate assets held by financial institutions in relation to Winstar cases. Properties within these portfolios consisted of master planned communities, commercial developments, ground leases, and government secured multi-family residential developments.

Mr. Korman attended preparatory school at Fort Worth Country Day before continuing at The University of Texas at Austin Business School. During college, Mr. Korman worked for an independent oil and gas company as a gas account manager and assistant to the Chief Financial Officer. Later Mr. Korman was employed as a legal aide for Texas State Representative Anna Mowery where he assisted with local and state policymaking. While with Representative Mowery, Mr. Korman worked with the Land and Resource Management Committee and the Appropriations Committee on budgeting issues. After graduation in 1996, Mr. Korman was employed as an appraiser and consultant with Lewis Realty Advisors.

Professional Activities:	Licensed:	Texas State Certified General Real Estate Appraiser
		Certificate No. TX-1330595-G
		Practicing Affiliate of the Appraisal Institute
		2007 Social Committee Chairman (Houston Chapter)
		2008 Alternate Regional Representative (Houston Chapter)
	Member:	Forensic Expert Witness Association
	Member:	Greater Fort Worth Real Estate Council
	Member:	International Right of Way Association
Education:	Member:	Institute of Real Estate Management
	Member:	International Council of Shopping Centers
	Member:	Tarrant County Bar Association
		University of Texas at Austin – 1996
		Bachelor of Business Administration – Major in Finance
		Coursework accredited by the Appraisal Institute, The University of Texas, and the State of Texas

JOHN S. KOSTOHRYZ

Experience: Mr. Kostohryz is a principal of KOR Group, a full service real estate consulting and appraisal firm. Mr. Kostohryz has provided real estate consulting and appraisal services since 2008. He has provided consultation for complex eminent domain assignments of numerous types of properties including, but not limited to, office buildings, retail centers, service stations, hospitals, educational facilities, apartment complexes, industrial facilities, raw and developed land, timberland, restaurants, quick-service restaurants, mixed-use developments, automobile dealerships, mining operations, and master planned communities. Mr. Kostohryz has valued and consulted on properties in Kansas, Oklahoma, and Texas.

Mr. Kostohryz's assignments have included transmission line and pipeline impacts on master planned communities and residential subdivisions, asset management, assistance in acquisitions/dispositions of property, estate tax planning, market studies, analysis of environmental impacts, and condemnation. He has had extensive experience in eminent domain cases ranging from public roadway expansions to pipeline easements. Assignments have also included consultation for both ad valorem and estate tax purposes. Mr. Kostohryz has testified in eminent domain proceedings and before appraisal district review boards in ad valorem tax disputes.

Mr. Kostohryz is a 2006 graduate from Texas Christian University in Fort Worth, Texas with a Bachelors of Business Administration with majors in Finance, Accounting, and Marketing.

Prior to becoming a real estate appraiser and consultant, Mr. Kostohryz was a Consultant with Ryan, Inc. in Dallas, Texas where he consulted with transaction tax departments of Fortune 500 companies.

Mr. Kostohryz is from Fort Worth, Texas and graduated from Trinity Valley School.

Professional Activities:	Licensed:	Texas State Certified General Real Estate Appraiser Certificate No. TX-1380151-G Various temporary out of state licenses Practicing Affiliate of the Appraisal Institute
	Member:	Member of the International Right of Way, Chapter 36
	Member:	Fort Worth Chamber of Commerce
	Member:	Greater Fort Worth Real Estate Council

Education: Texas Christian University, Fort Worth, Texas 2006
Bachelor of Business Administration
Majors: Finance, Accounting, and Marketing

Relevant Coursework by the Appraisal Institute, accredited universities and others:

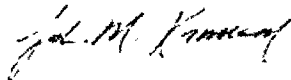
Principles of Real Estate Appraisal
Procedures of Real Estate Appraisal
Uniform Standards of Professional Appraisal Practice
General Income Approach Part I
General Income Approach Part II
General Appraiser Sales Comparison Approach
General Appraiser Site Valuation and Cost Approach
Statistics and Valuation Modeling
General Appraiser Report Writing and Case Studies
General Appraiser Market Analysis and Highest & Best Use
Expert Witness for Commercial Appraisers
Commercial Appraisal Review



CERTIFICATION OF THE APPRAISAL

WE CERTIFY THAT TO THE BEST OF OUR KNOWLEDGE AND BELIEF:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
9. Joshua M. Korman and John Kostohryz made a personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the persons signing this certification.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.



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

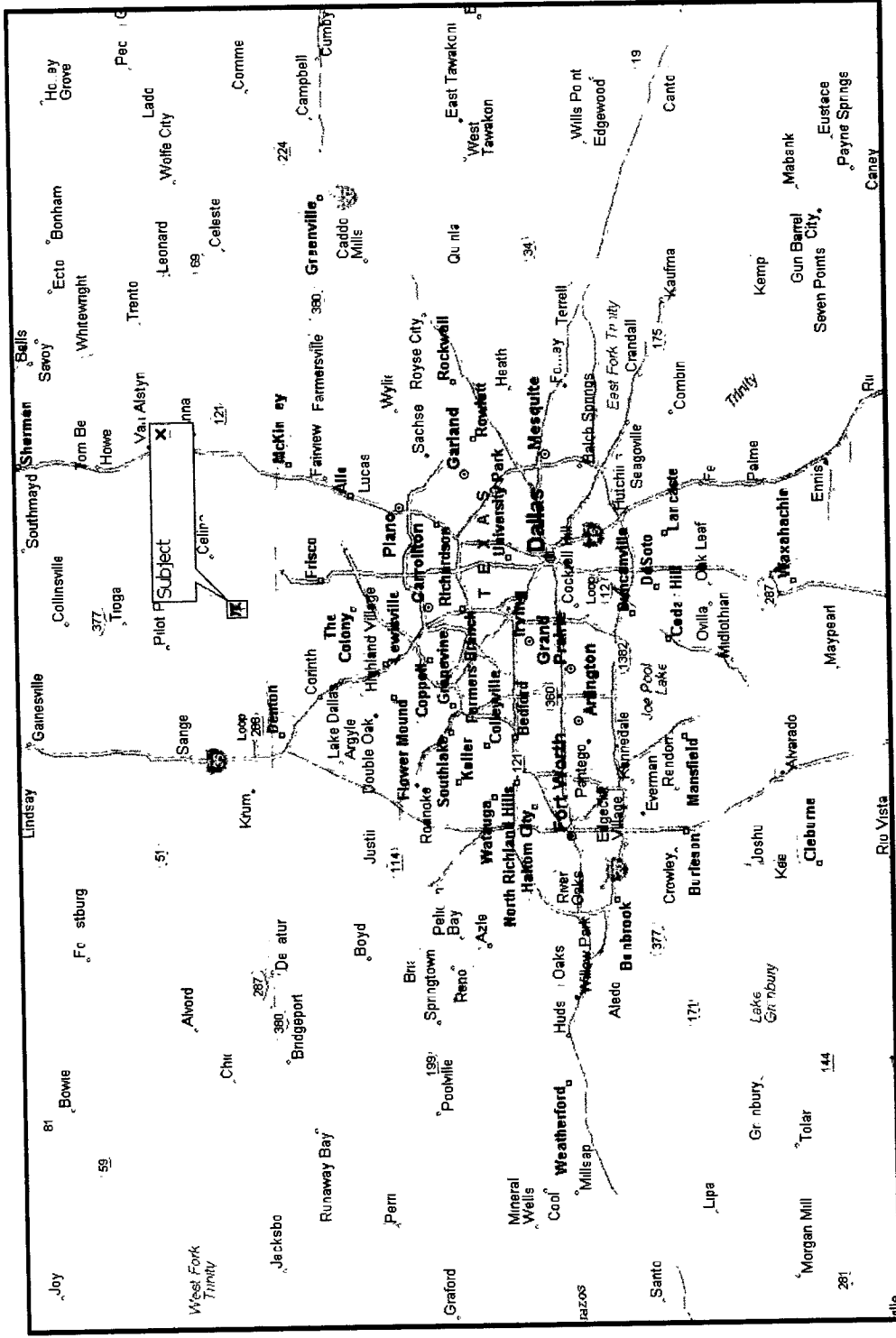


John Kostohryz
State of Texas Certification #TX-1380151-G



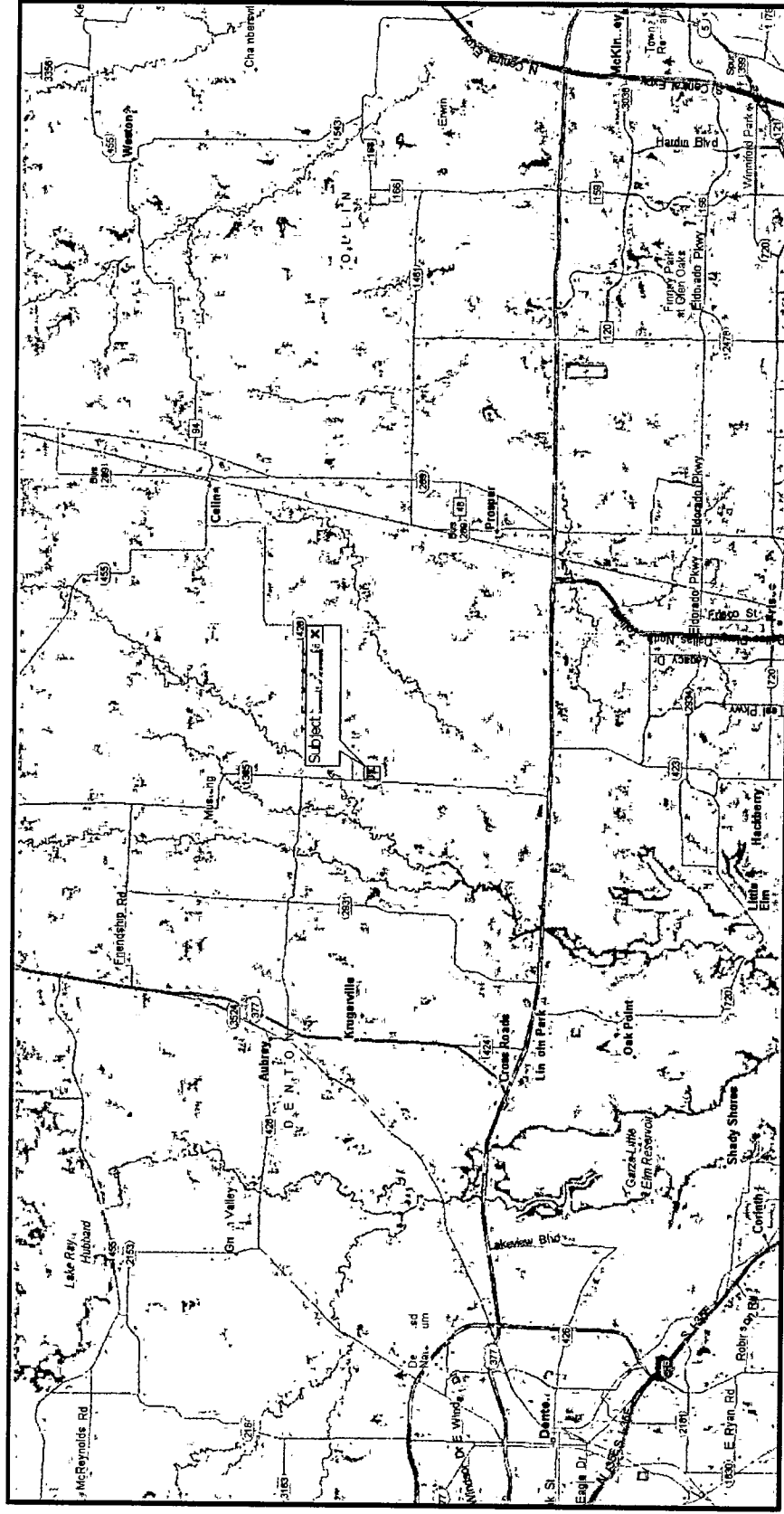
ADDENDA

AREA MAP



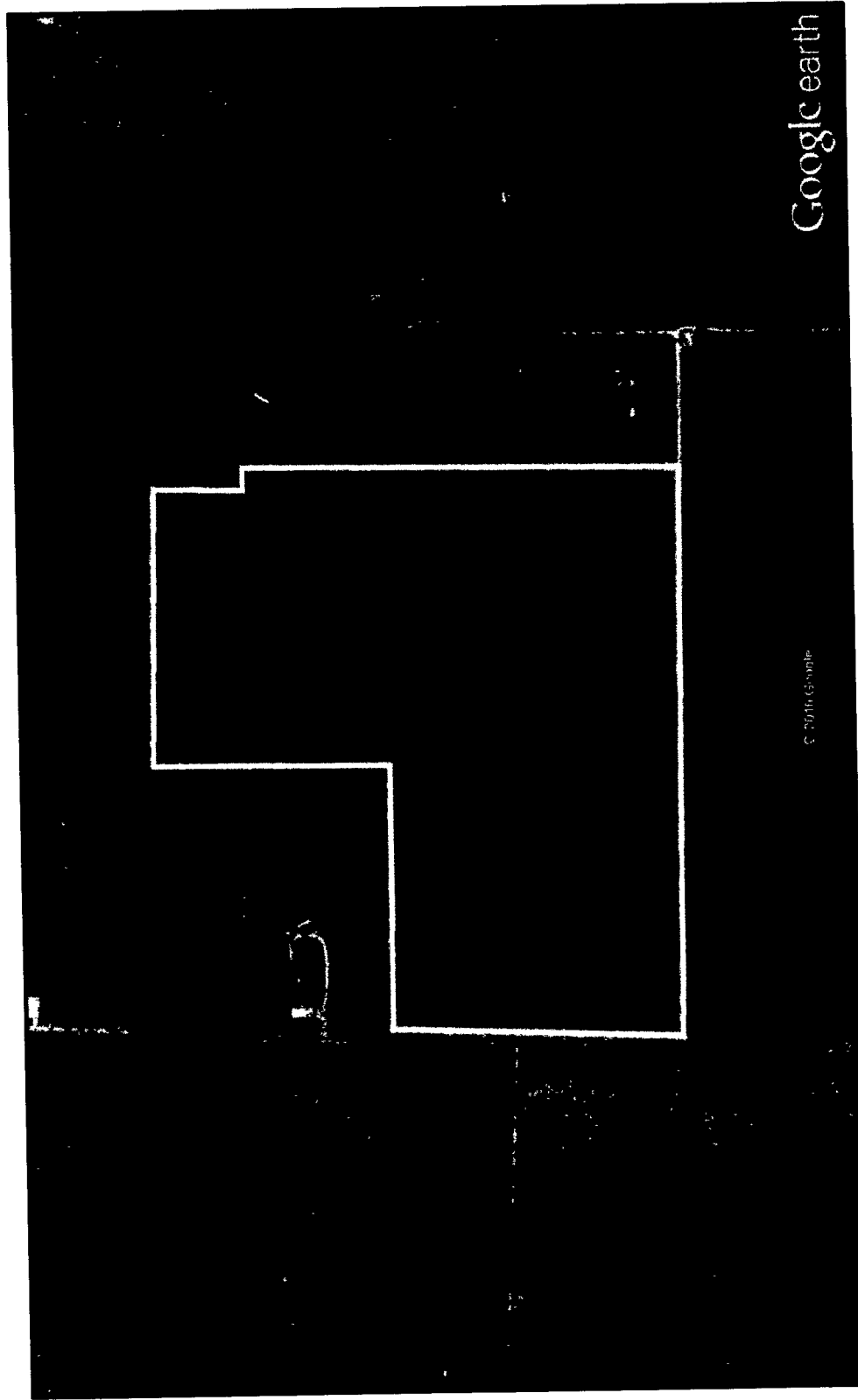
Source: Microsoft MapPoint North America 2011

LOCATION MAP



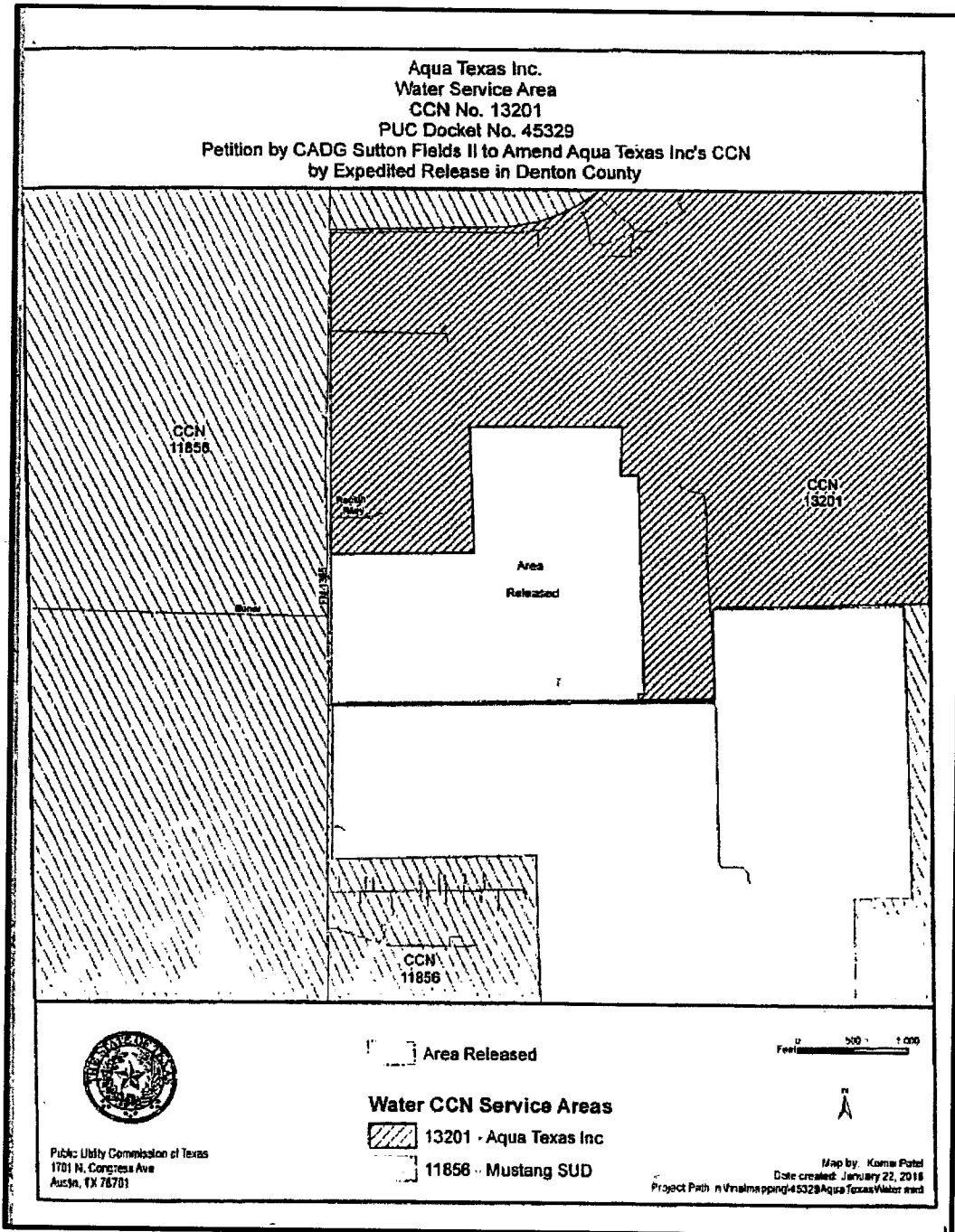
Source: Microsoft MapPoint North America 2011

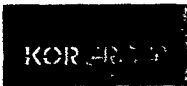
AERIAL PHOTOGRAPH



Source: Google Earth (December 1, 2015)

CCN MAP





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

May 12, 2016

Mr. Robert Laughman
Aqua Texas, Inc.
1106 Clayton Lane
Austin, Texas 78723

SUBJECT: DOCKET NO. 45329; PETITION OF CADG SUTTON FIELDS II, LLC TO AMEND AQUA TEXAS, INC.'S CERTIFICATES OF CONVENIENCE AND NECESITY IN DENTON COUNTY BY EXPEDITED RELEASE; PUBLIC UTILITY COMMISSION OF TEXAS

Dear Mr. Laughman,

At your request, we are pleased to provide appraisal services with regard to the above-described matter. *This letter, when signed by you, shall constitute our agreement with regard to our engagement.*

This assignment will be developed and prepared in conformity with and subject to the requirements of the Appraisal Institute's Code of Professional Ethics, the Uniform Standards of Professional Appraisal Practice, the Public Utility Commission, and the State of Texas. Additionally, we have not performed any services related to the subject property prior to this assignment.

Our fee for this assignment will be in the range of **\$8,000-\$12,000** for an appraisal report, with all work after completion of the appraisal invoiced on an hourly rate basis. The appraisal is intended to be used by the client for the decertification of the subject property in the above-described matter.

Work will be billed by the tenth of every month, with the full amount due 10 days after the invoice date. In addition to our fees, we are to be reimbursed for all direct expenses including, but not limited to, delivery services, legal documents, travel, mileage, exhibits, photographs, copying, etc. Prior to commencement of this engagement we require a **\$5,000** retainer, which will be applied to the final invoice.

Our current hourly rates are as follows:

Joshua M. Korman	\$ 300.00
John Kostohryz	\$ 200.00
Kenneth M. Link III	\$ 175.00
Associate Appraiser	\$ 125.00
Research Analyst	\$ 75.00

A KOR Group principal will make himself available to review each invoice with a designated client representative as to the necessity and reasonableness of the work performed. It is the responsibility of the client to review the invoices for work performed within 10 days upon receipt of each invoice.

Aqua 000020



Mr. Robert Laughman
May 12, 2016
Page 2

The file and work product produced in regards to this assignment are the exclusive property of KOR Group and subject to peer review by State and Federal Agencies and by the Appraisal Institute. Additionally, we will make a copy of the file available to the client at their request or at the request of the court or the Public Utility Commission.

It is understood that our engagement and payment for the services rendered hereunder are not dependent or contingent upon any loan commitment, transaction, trial outcome, opinions rendered, or any funds received by you over and above the fee stated herein.

This contract is cancelable on a 10-day written notice. Should either party cancel this contract, the outstanding balance for professional services shall be due within 30 days of such act.

If the above agreement meets with your approval, please execute this proposal and return the original. We look forward to working with you on this project.

Very Truly Yours,

Joshua M. Korman

AGREED:

By: Darryl Waldo Date: 5/13/16

Name: DARRYL WALDOCK

Title: AREA MANAGER, AQUA TEXAS, INC.

CHAPTER 24. SUBSTANTIVE RULES APPLICABLE TO WATER AND SEWER SERVICE PROVIDERS.

Subchapter G. CERTIFICATES OF CONVENIENCE AND NECESSITY.

§24.113. Revocation or Amendment of Certificate.

- (a) A certificate or other order of the commission does not become a vested right and the commission at any time after notice and hearing may revoke or amend any certificate of public convenience and necessity (CCN) with the written consent of the certificate holder or if it finds that:
- (1) the certificate holder has never provided, is no longer providing service, is incapable of providing service, or has failed to provide continuous and adequate service in the area or part of the area covered by the certificate;
 - (2) in an affected county, the cost of providing service by the certificate holder is so prohibitively expensive as to constitute denial of service, provided that, for commercial developments or for residential developments started after September 1, 1997, in an affected county, the fact that the cost of obtaining service from the currently certificated retail public utility makes the development economically unfeasible does not render such cost prohibitively expensive in the absence of other relevant factors;
 - (3) the certificate holder has agreed in writing to allow another retail public utility to provide service within its service area, except for an interim period, without amending its certificate;
 - (4) the certificate holder has failed to file a cease and desist action under TWC, §13.252 within 180 days of the date that it became aware that another retail public utility was providing service within its service area, unless the certificate holder demonstrates good cause for its failure to file such action within the 180 days; or
 - (5) in an area certificated to a municipality outside the municipality's extraterritorial jurisdiction, the municipality has not provided service to the area on or before the fifth anniversary of the date the CCN was granted for the area, except that an area that was transferred to a municipality on approval of the commission and in which the municipality has spent public funds may not be revoked or amended under this paragraph.
- (b) As an alternative to decertification under subsection (a) of this section, the owner of a tract of land that is at least 50 acres and that is not in a platted subdivision actually receiving water or sewer service may petition the commission under this subsection for expedited release of the area from a CCN so that the area may receive service from another retail public utility. The fact that a certificate holder is a borrower under a federal loan program is not a bar to a request under this subsection for the release of the petitioner's land and the receipt of services from an alternative provider. On the day the petitioner submits the petition to the commission, the petitioner shall send, via certified mail, a copy of the petition to the certificate holder, who may submit information to the commission to controvert information submitted by the petitioner. The petitioner must demonstrate that:
- (1) a written request for service, other than a request for standard residential or commercial service, has been submitted to the certificate holder, identifying:
 - (A) the area for which service is sought shown on a map with descriptions according to §24.105(a)(2)(A) (G) of this title (relating to Contents of Certificate of Convenience and Necessity Applications);
 - (B) the time frame within which service is needed for current and projected service demands in the area;
 - (C) the level and manner of service needed for current and projected service demands in the area;
 - (D) the approximate cost for the alternative provider to provide the service at the same level and manner that is requested from the certificate holder;
 - (E) the flow and pressure requirements and specific infrastructure needs, including line size and system capacity for the required level of fire protection requested; and

CHAPTER 24. SUBSTANTIVE RULES APPLICABLE TO WATER AND SEWER SERVICE PROVIDERS.

Subchapter G. CERTIFICATES OF CONVENIENCE AND NECESSITY.

- (F) any additional information requested by the certificate holder that is reasonably related to determination of the capacity or cost for providing the service;
 - (2) the certificate holder has been allowed at least 90 calendar days to review and respond to the written request and the information it contains;
 - (3) the certificate holder:
 - (A) has refused to provide the service;
 - (B) is not capable of providing the service on a continuous and adequate basis within the time frame, at the level, at the approximate cost that the alternative provider is capable of providing for a comparable level of service, or in the manner reasonably needed or requested by current and projected service demands in the area; or
 - (C) conditions the provision of service on the payment of costs not properly allocable directly to the petitioner's service request, as determined by the commission; and
 - (4) the alternate retail public utility from which the petitioner will be requesting service possesses the financial, managerial, and technical capability to provide continuous and adequate service within the time frame, at the level, at the cost, and in the manner reasonably needed or requested by current and projected service demands in the area. An alternate retail public utility is limited to:
 - (A) an existing retail public utility; or
 - (B) a district proposed to be created under Texas Constitution, Article 16, §59 or Article 3, §52. If an area is decertificated under a petition filed in accordance with subsection (d) of this section in favor of such a proposed district, the commission may order that final decertification is conditioned upon the final and unappealable creation of the district and that prior to final decertification the duty of the certificate holder to provide continuous and adequate service is held in abeyance.
- (c) A landowner is not entitled to make the election described in subsection (b) or (r) of this section but is entitled to contest under subsection (a) of this section the involuntary certification of its property in a hearing held by the commission if the landowner's property is located:
- (1) within the boundaries of any municipality or the extraterritorial jurisdiction of a municipality with a population of more than 500,000 and the municipality or retail public utility owned by the municipality is the holder of the certificate; or
 - (2) in a platted subdivision actually receiving water or sewer service.
- (d) Within 60 calendar days from the date the commission determines the petition filed under subsection (b) of this section to be administratively complete, the commission shall grant the petition unless the commission makes an express finding that the petitioner failed to satisfy the elements required in subsection (b) of this section and supports its finding with separate findings and conclusions for each element based solely on the information provided by the petitioner and the certificate holder. The commission may grant or deny a petition subject to terms and conditions specifically related to the service request of the petitioner and all relevant information submitted by the petitioner and the certificate holder. In addition, the commission may require an award of compensation as otherwise provided by this section.
- (e) Texas Government Code, Chapter 2001, does not apply to any petition filed under subsection (b) of this section. The decision of the commission on the petition is final after any reconsideration authorized by applicable procedural rules and may not be appealed.
- (f) Upon written request from the certificate holder, the commission may cancel the certificate of a utility or water supply corporation authorized by rule to operate without a CCN under TWC, §13.242(c).

CHAPTER 24. SUBSTANTIVE RULES APPLICABLE TO WATER AND SEWER SERVICE PROVIDERS.

Subchapter G. CERTIFICATES OF CONVENIENCE AND NECESSITY.

- (g) If the certificate of any retail public utility is revoked or amended, the commission may require one or more retail public utilities to provide service in the area in question. The order of the commission shall not be effective to transfer property.
- (h) A retail public utility may not in any way render retail water or sewer service directly or indirectly to the public in an area that has been decertified under this section unless the retail public utility, or a petitioner under subsection (r) of this section, provides compensation for any property that the commission determines is rendered useless or valueless to the decertified retail public utility as a result of the decertification.
- (i) The determination of the monetary amount of compensation, if any, shall be determined at the time another retail public utility seeks to provide service in the previously decertified area and before service is actually provided but no later than the 90th calendar day after the date on which a retail public utility notifies the commission of its intent to provide service to the decertified area.
- (j) The monetary amount shall be determined by a qualified individual or firm serving as independent appraiser agreed upon by the decertified retail public utility and the retail public utility seeking to serve the area. The determination of compensation by the independent appraiser shall be binding on the commission. The costs of the independent appraiser shall be borne by the retail public utility seeking to serve the area.
 - (1) If the retail public utilities cannot agree on an independent appraiser within ten calendar days after the date on which the retail public utility notifies the commission of its intent to provide service to the decertified area, each retail public utility shall engage its own appraiser at its own expense, and each appraisal shall be submitted to the commission within 60 calendar days after the date on which the retail public utility notified the commission of its intent to provide service to the decertified area.
 - (2) After receiving the appraisals, the commission shall appoint a third appraiser who shall make a determination of the compensation within 30 days after the commission receives the appraisals. The determination may not be less than the lower appraisal or more than the higher appraisal. Each retail public utility shall pay one-half of the cost of the third appraisal.
- (k) For the purpose of implementing this section, the value of real property owned and utilized by the retail public utility for its facilities shall be determined according to the standards set forth in Texas Property Code, Chapter 21, governing actions in eminent domain and the value of personal property shall be determined according to the factors in this subsection. The factors ensuring that the compensation to a retail public utility is just and adequate shall include: the amount of the retail public utility's debt allocable for service to the area in question; the value of the service facilities of the retail public utility located within the area in question; the amount of any expenditures for planning, design, or construction of service facilities that are allocable to service to the area in question; the amount of the retail public utility's contractual obligations allocable to the area in question; any demonstrated impairment of service or increase of cost to consumers of the retail public utility remaining after the decertification; the impact on future revenues lost from existing customers; necessary and reasonable legal expenses and professional fees; and other relevant factors.
- (l) As a condition to decertification or single certification under TWC, §13.254 or §13.255, and on request by a retail public utility that has lost certificated service rights to another retail public utility, the commission may order:

CHAPTER 24. SUBSTANTIVE RULES APPLICABLE TO WATER AND SEWER SERVICE PROVIDERS.

Subchapter G. CERTIFICATES OF CONVENIENCE AND NECESSITY.

- (1) the retail public utility seeking to provide service to a decertified area to serve the entire service area of the retail public utility that is being decertified; and
 - (2) the transfer of the entire CCN of a partially decertified retail public utility to the retail public utility seeking to provide service to the decertified area.
- (m) The commission shall order service to the entire area under subsection (l) of this section if the commission finds that the decertified retail public utility will be unable to provide continuous and adequate service at an affordable cost to the remaining customers.
- (n) The commission shall require the retail public utility seeking to provide service to the decertified area to provide continuous and adequate service to the remaining customers at a cost comparable to the cost of that service to its other customers and shall establish the terms under which the service must be provided. The terms may include:
 - (1) transferring debt and other contract obligations;
 - (2) transferring real and personal property;
 - (3) establishing interim service rates for affected customers during specified times; and
 - (4) other provisions necessary for the just and reasonable allocation of assets and liabilities.
- (o) The retail public utility seeking decertification shall not charge the affected customers any transfer fee or other fee to obtain service other than the retail public utility's usual and customary rates for monthly service or the interim rates set by the commission, if applicable.
- (p) The commission shall not order compensation to the decertified retail public utility if service to the entire service area is ordered under this section.
- (q) Within ten calendar days after receipt of notice that a decertification process has been initiated, a retail public utility with outstanding debt secured by one or more liens shall:
 - (1) submit to the commission a written list with the names and addresses of the lienholders and the amount of debt; and
 - (2) notify the lienholders of the decertification process and request that the lienholder provide information to the commission sufficient to establish the amount of compensation necessary to avoid impairment of any debt allocable to the area in question.
- (r) As an alternative to decertification under subsection (a) of this section and expedited release under subsection (b) of this section, the owner of a tract of land that is at least 25 acres and that is not receiving water or sewer service may petition for expedited release of the area from a CCN and is entitled to that release if the landowner's property is located in Atascosa, Bandera, Bastrop, Bexar, Blanco, Brazoria, Burnet, Caldwell, Chambers, Collin, Comal, Dallas, Denton, Ellis, Fort Bend, Galveston, Guadalupe, Harris, Hays, Johnson, Kaufman, Kendall, Liberty, Montgomery, Parker, Rockwall, Smith, Tarrant, Travis, Waller, Williamson, Wilson, or Wise County.
- (s) On the same day the petitioner submits the petition to the commission, the petitioner shall send, via certified mail, a copy of the petition to the CCN holder. The CCN holder may submit a response to the commission. The commission shall grant a petition received under subsection (r) of this section not later than the 60th calendar day after the date the landowner files the petition. The commission may not deny a petition received under subsection (r) of this section based on the fact that a certificate holder is a borrower under a federal loan program. The commission may require an award of compensation by the petitioner to a decertified retail public utility that is the subject of a petition filed

CHAPTER 24. SUBSTANTIVE RULES APPLICABLE TO WATER AND SEWER SERVICE PROVIDERS.

Subchapter G. CERTIFICATES OF CONVENIENCE AND NECESSITY.

under subsection (r) of this section as otherwise provided by this section. An award of compensation is governed by subsections (h) (k) of this section.

- (t) If a certificate holder has never made service available through planning, design, construction of facilities, or contractual obligations to serve the area a petitioner seeks to have released under subsection (b) of this section, the commission is not required to find that the proposed alternative provider is capable of providing better service than the certificate holder, but only that the proposed alternative provider is capable of providing the requested service.
- (u) Subsection (t) of this section does not apply in Cameron, Fannin, Grayson, Guadalupe, Hidalgo, Willacy, or Wilson Counties.
- (v) A certificate holder that has land removed from its certificated service area in accordance with this section may not be required, after the land is removed, to provide service to the removed land for any reason, including the violation of law or commission rules by a water or sewer system of another person.

Sec 13 254. REVOCATION OR AMENDMENT OF CERTIFICATE (a) The utility commission at any time after notice and hearing may revoke or amend any certificate of public convenience and necessity with the written consent of the certificate holder or if the utility commission finds that

(1) the certificate holder has never provided, is no longer providing is incapable of providing or has failed to provide continuous and adequate service in the area or part of the area covered by the certificate

(2) in an affected county as defined in Section 16 341 the cost of providing service by the certificate holder is so prohibitively expensive as to constitute denial of service, provided that for commercial developments or for residential developments started after September 1 1997 in an affected county as defined in Section 16 341 the fact that the cost of obtaining service from the currently certificated retail public utility makes the development economically unfeasible does not render such cost prohibitively expensive in the absence of other relevant factors

(3) the certificate holder has agreed in writing to allow another retail public utility to provide service within its service area except for an interim period, without amending its certificate or

(4) the certificate holder has failed to file a cease and desist action pursuant to Section 13 252 within 180 days of the date that it became aware that another retail public utility was providing service within its service area, unless the certificate holder demonstrates good cause for its failure to file such action within the 180 days

(a 1) As an alternative to decertification under Subsection (a) the owner of a tract of land that is at least 50 acres and that is not in a platted subdivision actually receiving water or sewer service may petition the utility commission under this subsection for expedited release of the area from a certificate of public convenience and necessity so

that the area may receive service from another retail public utility. The fact that a certificate holder is a borrower under a federal loan program is not a bar to a request under this subsection for the release of the petitioner's land and the receipt of services from an alternative provider. On the day the petitioner submits the petition to the utility commission, the petitioner shall send, via certified mail, a copy of the petition to the certificate holder who may submit information to the utility commission to controvert information submitted by the petitioner. The petitioner must demonstrate that

(1) a written request for service other than a request for standard residential or commercial service has been submitted to the certificate holder identifying

(A) the area for which service is sought

(B) the timeframe within which service is needed for current and projected service demands in the area.

(C) the level and manner of service needed for current and projected service demands in the area

(D) the approximate cost for the alternative provider to provide the service at the same level and manner that is requested from the certificate holder

(E) the flow and pressure requirements and specific infrastructure needs including line size and system capacity for the required level of fire protection requested; and

(F) any additional information requested by the certificate holder that is reasonably related to determination of the capacity or cost for providing the service

(2) the certificate holder has been allowed at least 90 calendar days to review and respond to the written request and the information it contains

(3) the certificate holder

(A) has refused to provide the service

(B) is not capable of providing the service on a continuous and adequate basis within the timeframe at the level at the approximate cost that the alternative provider is

capable of providing for a comparable level of service, or in the manner reasonably needed, or requested by current and projected service demands in the area, or

(C) conditions the provision of service on the payment of costs not properly allocable directly to the petitioner's service request as determined by the utility commission, and

(4) the alternate retail public utility from which the petitioner will be requesting service possesses the financial, managerial, and technical capability to provide continuous and adequate service within the timeframe at the level at the cost, and in the manner reasonably needed or requested by current and projected service demands in the area

(a-2) A landowner is not entitled to make the election described in Subsection (a-1) or (a-5) but is entitled to contest under Subsection (a) the involuntary certification of its property in a hearing held by the utility commission if the landowner's property is located

(1) within the boundaries of any municipality or the extraterritorial jurisdiction of a municipality with a population of more than 500,000 and the municipality or retail public utility owned by the municipality is the holder of the certificate, or

(2) in a platted subdivision actually receiving water or sewer service

(a-3) Within 60 calendar days from the date the utility commission determines the petition filed pursuant to Subsection (a-1) to be administratively complete, the utility commission shall grant the petition unless the utility commission makes an express finding that the petitioner failed to satisfy the elements required in Subsection (a-1) and supports its finding with separate findings and conclusions for each element based solely on the information provided by the petitioner and the certificate holder. The utility commission may grant or deny a petition subject to terms and conditions specifically related to the service request of the petitioner and all relevant

information submitted by the petitioner and the certificate holder. In addition, the utility commission may require an award of compensation as otherwise provided by this section.

(a-4) Chapter 2001 Government Code does not apply to any petition filed under Subsection (a-1). The decision of the utility commission on the petition is final after any reconsideration authorized by the utility commission's rules and may not be appealed.

(a-5) As an alternative to decertification under Subsection (a) and expedited release under Subsection (a-1), the owner of a tract of land that is at least 25 acres and that is not receiving water or sewer service may petition for expedited release of the area from a certificate of public convenience and necessity and is entitled to that release if the landowner's property is located in a county with a population of at least one million, a county adjacent to a county with a population of at least one million, or a county with a population of more than 200,000 and less than 220,000 that does not contain a public or private university that had a total enrollment in the most recent fall semester of 40,000 or more, and not in a county that has a population of more than 45,500 and less than 47,500.

(a-6) The utility commission shall grant a petition received under Subsection (a-5) not later than the 60th day after the date the landowner files the petition. The utility commission may not deny a petition received under Subsection (a-5) based on the fact that a certificate holder is a borrower under a federal loan program. The utility commission may require an award of compensation by the petitioner to a decertified retail public utility that is the subject of a petition filed under Subsection (a-5) as otherwise provided by this section.

(a-7) The utility shall include with the statement of intent provided to each landowner or ratepayer a notice of

(1) a proceeding under this section related to certification or decertification.

(2) the reason or reasons for the proposed rate change and

(3) any bill payment assistance program available to low-income ratepayers

(a-8) If a certificate holder has never made service available through planning design, construction of facilities or contractual obligations to serve the area a petitioner seeks to have released under Subsection (a-1) the utility commission is not required to find that the proposed alternative provider is capable of providing better service than the certificate holder but only that the proposed alternative provider is capable of providing the requested service

(a-9) Subsection (a-8) does not apply to a county that borders the United Mexican States and the Gulf of Mexico or a county adjacent to a county that borders the United Mexican States and the Gulf of Mexico

(a-10) Subsection (a-8) does not apply to a county

(1) with a population of more than 30 000 and less than 35 000 that borders the Red River or

(2) with a population of more than 100 000 and less than 200 000 that borders a county described by Subdivision (1)

(a-11) Subsection (a-8) does not apply to a county

(1) with a population of 130 000 or more that is adjacent to a county with a population of 1.5 million or more that is within 200 miles of an international border or

(2) with a population of more than 40 000 and less than 50 000 that contains a portion of the San Antonio River

(b) Upon written request from the certificate holder the utility commission may cancel the certificate of a utility or water supply corporation authorized by rule to operate without a certificate of public convenience and necessity under Section 13.242(c)

(c) If the certificate of any retail public utility is revoked or amended, the utility commission may require one or more retail public utilities with their consent to provide

service in the area in question. The order of the utility commission shall not be effective to transfer property

(d) A retail public utility may not in any way render retail water or sewer service directly or indirectly to the public in an area that has been decertified under this section without providing compensation for any property that the utility commission determines is rendered useless or valueless to the decertified retail public utility as a result of the decertification

(e) The determination of the monetary amount of compensation, if any shall be determined at the time another retail public utility seeks to provide service in the previously decertified area and before service is actually provided. The utility commission shall ensure that the monetary amount of compensation is determined not later than the 90th calendar day after the date on which a retail public utility notifies the utility commission of its intent to provide service to the decertified area

(f) The monetary amount shall be determined by a qualified individual or firm serving as independent appraiser agreed upon by the decertified retail public utility and the retail public utility seeking to serve the area. The determination of compensation by the independent appraiser shall be binding on the utility commission. The costs of the independent appraiser shall be borne by the retail public utility seeking to serve the area

(g) For the purpose of implementing this section, the value of real property owned and utilized by the retail public utility for its facilities shall be determined according to the standards set forth in Chapter 21 Property Code governing actions in eminent domain and the value of personal property shall be determined according to the factors in this subsection. The factors ensuring that the compensation to a retail public utility is just and adequate shall include the amount of the retail public utility's debt allocable for service to the area in question, the value of the service facilities of the retail

public utility located within the area in question, the amount of any expenditures for planning design, or construction of service facilities that are allocable to service to the area in question, the amount of the retail public utility's contractual obligations allocable to the area in question, any demonstrated impairment of service or increase of cost to consumers of the retail public utility remaining after the decertification, the impact on future revenues lost from existing customers necessary and reasonable legal expenses and professional fees and other relevant factors. The utility commission shall adopt rules governing the evaluation of these factors.

(g-1) If the retail public utilities cannot agree on an independent appraiser within 10 calendar days after the date on which the retail public utility notifies the utility commission of its intent to provide service to the decertified area, each retail public utility shall engage its own appraiser at its own expense, and each appraisal shall be submitted to the utility commission within 60 calendar days. After receiving the appraisals, the utility commission shall appoint a third appraiser who shall make a determination of the compensation within 30 days. The determination may not be less than the lower appraisal or more than the higher appraisal. Each retail public utility shall pay half the cost of the third appraisal.

(h) A certificate holder that has land removed from its certificated service area in accordance with this section may not be required, after the land is removed, to provide service to the removed land for any reason, including the violation of law or utility commission or commission rules by a water or sewer system of another person.

Added by Acts 1985 69th Leg ch. 795 Sec. 3.005 eff. Sept 1, 1985
Amended by Acts 1987 70th Leg ch. 539 Sec. 20 eff. Sept 1, 1987
Acts 1989 71st Leg ch. 567 Sec. 31 eff. Sept 1, 1989
Acts 1993 73rd Leg ch. 652 Sec. 4 eff. Aug 30, 1993
Acts 1997 75th Leg ch. 1010 Sec. 6.10 eff. Sept 1, 1997

Amended by:

Acts 2005 79th Leg Ch. 1145 (H B 2876) Sec 9 eff
September 1 2005

Acts 2005 79th Leg Ch. 1145 (H B 2876) Sec 13(1)
eff September 1 2005

Acts 2011 82nd Leg R S Ch. 1325 (S B 573) Sec 4
eff September 1 2011

Acts 2013 83rd Leg R S Ch. 170 (H B 1600) Sec 2 55
eff September 1 2013

Acts 2013 83rd Leg R S Ch. 171 (S B 567) Sec 55
eff September 1 2013



BARRETT
& ASSOCIATES, PLLC

3300 Bee Cave Road Suite 650 #189

Austin, Texas 78746

Phone: 512.600.3800 Fax: 512.600.3899

November 5, 2015

Chief Clerk
Public Utility Commission
William B. Travis Building
1701 N. Congress, 7th Floor
Austin, Texas 78701

Re: Petition of CADG Sutton Fields II, LLC to decertificate from Aqua Texas, Inc. Sewer CCN No. 21059, Water CCN No. 13201, Denton County, Texas

Dear Sir or Madame:

This firm represents the CADG Sutton Fields II, LLC a landowner in Denton County, Texas. On behalf of CADG Sutton Fields II, LLC we are petitioning the Public Utility Commission (PUC) for decertification of the above referenced property from Aqua Texas, Inc.'s (Aqua) water Certificate of Convenience and Necessity (CCN) No. 13201 and Sewer CCN 21059. We are submitting this Petition pursuant to Section 13.254(a-5), *Water Code* and PUC rules Section 24.113(r).

CADG Sutton Fields II, LLC owns approximately 128 acres that are currently certificated to Mustang. As described in the attached affidavit from Mehrdad Moayedi, the property is not receiving water or sewer service. The property's location is provided as attachments to Mr. Moayedi's affidavit, including deeds. Further, the attached compact disc contains 'shape files'

As required by Chapter 24.113(s), we are copying Aqua with this petition and attachments by Certified Mail Return Receipt Requested.

Please do not hesitate to contact me at 512-600-3800 or 512-217-4956 with any questions.

Very truly yours,


Andrew N. Barrett

Cc: Aqua Texas, Inc.

AFFIDAVIT OF MEHRDAD MOAYEDI

STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, personally appeared Mehrdad Moayedi, who, being by me duly sworn, deposed as follows:

‘My name is Mehrdad Moayedi, I am of sound mind, capable of making this affidavit, and I am personally familiar with the facts stated herein.’

‘I am Manager of 2M Ventures LLC and signing on behalf of CADG Sutton Fields II, LLC, owner of approximately 128 acres in Denton County. All of this property is located within the Water Certificate of Convenience and Necessity No. 13201 and Sewer CCN No. 21059, each held by Aqua Texas, Inc. This property is more properly shown on maps on Attachment A.

‘I have been involved with real estate development and transactions in Texas for approximately 25 years.

‘The above-referenced real property does not have any water or sewer connections or meters located thereon.

‘We have not requested any water or sewer service from Aqua Texas, Inc. we have not paid any service reservation or standby fees, nor do we have any agreements with Aqua Texas, Inc. to provide service to the above-referenced real property.

‘The above-referenced real property does not receive any water or sewer service from Aqua Texas, Inc.

‘This affidavit is in support of de-certifying Mustang Special Utility District’s water and sewer certificates of convenience and necessity pursuant to Section 13.254(a-5), *Water Code* and

Rules of the Commission Section 24.113(r).

SIGNED on this 4 day of November 2015.

CADG Sutton Fields II, LLC,
a Texas limited liability company

By: CADG Holdings, LLC,
a Texas limited liability company
Its Sole Managing Member

By: MMM Ventures, LLC,
a Texas limited liability company
Its Manager

By: 2M Ventures, LLC,
a Delaware limited liability company
Its Manager

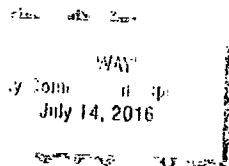
By: [Signature]
Name: Mehrdad Moayed
Its: Manager

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on the 4 day of November 2015 by Mehrdad Moayed, Manager of 2M Ventures, LLC, as Manager of MMM Ventures, LLC, as Manager of CADG Holdings, LLC, as Sole Managing Member of CADG Sutton Fields II, LLC, a Texas limited liability company on behalf of said company.

ACKNOWLEDGED, SUBSCRIBED, AND SWORN TO before me, the undersigned notary public, on this 4 day of November 2015, to certify which witness my hand and official seal.

[Signature]
Notary Public, State of Texas



**** Electronically Filed Document ****

Denton County
Juli Luke
County Clerk

Document Number: 2015-128856
Recorded As ERX-CORRECTION DOCUM

Recorded On: November 06, 2015
Recorded At: 08:20:35 am
Number of Pages: 21

Recording Fee: \$106.00

Parties:

Direct- DENTON COUNTY 128 DEVELOPMEN
Indirect-

Receipt Number: 1357113
Processed By: Terri Bair

***** THIS PAGE IS PART OF THE INSTRUMENT *****

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY
because of color or race is invalid and unenforceable under federal law.



(STATE OF TEXAS)
COUNTY OF DENTON)

I hereby certify that this instrument was FILED in the File Number sequence on the date/time
printed herein, and was duly RECORDED in the Official Records of Denton County, Texas.

Juli Luke

County Clerk
Denton County, Texas

Aqua 000038

Title

1506505-VC9a

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

THIS CORRECTION SPECIAL WARRANTY DEED WITH VENDOR'S LIEN ("CORRECTION DEED") IS BEING FILED IN CORRECTION OF, BUT NOT IN LIEU OF THAT CERTAIN SPECIAL WARRANTY DEED WITH VENDOR'S LIEN (THE "ORIGINAL DEED"), DATED NOVEMBER 3, 2015, RECORDED ON NOVEMBER 4, 2015 AT 8:57:23 AM, AS DOCUMENT NO. 2015-127939, OFFICIAL PUBLIC RECORDS, DENTON COUNTY, TEXAS FOR THE PURPOSE OF CORRECTING THE LEGAL DESCRIPTION THEREIN; IN ALL OTHER RESPECTS THIS CORRECTION DEED CONFIRMS THE PRIOR DEED.

CORRECTION SPECIAL WARRANTY DEED WITH VENDOR'S LIEN

STATE OF TEXAS

§

COUNTY OF DENTON

§

KNOW ALL MEN BY THESE PRESENTS:

§

THAT Denton County 128 Development LLC, a Texas limited liability company (hereinafter called "Grantor"), whether one or more, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other valuable consideration to the undersigned in hand paid by CADG Sutton Fields II, LLC, a Texas limited liability company (herein referred to as "Grantee"), the receipt and sufficiency of which are hereby acknowledged, for the further consideration of the execution and delivery by Grantee to TREZ CAPITAL (2014) CORPORATION, a British Columbia corporation ("Lender") of that certain promissory note of even date herewith in the original principal amount of FIVE MILLION ONE HUNDRED THOUSAND AND NO/100 DOLLARS (\$5,100,000.00), payable as therein provided (the "Lender Note"), the payment of the Lender Note being secured by a Vendor's Lien (the "Lender's Vendor Lien") herein retained and being additionally secured by a Deed of Trust (With Security Agreement), of even date therewith executed by Grantor for the benefit of Lender and for the further consideration of the execution and delivery by Grantee to Grantor of that certain promissory note of even date herewith in the original principal amount of FOUR MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$4,500,000.00), payable as therein provided (the "Grantor Note"), the payment of the Grantor Note being secured by a Vendor's Lien herein retained (the "Grantor's Vendor Lien"), and being additionally secured by a Deed of Trust of even date herewith to David M. Tatum, Trustee on behalf of Grantor, reference to which is hereby made for all purposes, has GRANTED, SOLD AND CONVEYED, and by these presents does GRANT, SELL AND CONVEY unto ("Grantee"), whose address is 1800 Valley View Ln, Suite 300, Farmers Branch, Texas 75234, the real property described on Exhibit "A" attached hereto and incorporated herein by reference together with all of Grantor's right, title and interest in and to all buildings, personal property and fixtures located

thereon, all rights and easements appurtenant thereto, all permits, authorizations, governmental entitlements and approvals in connection therewith, all roads, streets, alleys and rights of way adjacent thereto, and all rights and appurtenances thereto including any strips and gores adjacent to or lying between the property and any adjacent real property in anywise belonging to Grantor (the "Property").

This conveyance is made and accepted subject to the following (the "Permitted Exceptions"): (a) the matters affecting title to the Property which are described on Exhibit "B" attached hereto; and (b) any zoning ordinances, requirements, proffers and/or conditions required of or imposed upon Grantor, Grantee or the Property by any governmental authority in connection with the entitlement, platting, processing, and development of the Property. Grantor assumes and agrees to perform each of the terms, provisions, obligations and requirements of the Permitted Exceptions with respect to the period beginning on and following the date hereof.

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereto in anywise belonging, unto the Grantee and Grantee's successors and assigns forever, subject to the matters set forth herein; and Grantor does hereby bind itself, its successors and assigns to WARRANT AND FOREVER DEFEND all and singular the Property unto the Grantee, Grantees' successors and assigns against every person whomsoever claiming or to claim the same or any part thereof, by, through or under Grantor, but not otherwise, subject to the Permitted Exceptions.

Ad valorem taxes applicable to the Property have been paid up to, and including the year 2015. Ad valorem taxes applicable to the Property for the year 2015 have been prorated between the Grantor and the Grantee as of the date of this Special Warranty Deed and payment thereof is assumed by Grantee.

But it is expressly agreed and stipulated that: (a) the Lender's Vendor Lien and Superior Title are retained against the Property by Grantor, its successors and assigns, until the Lender Note and all interest thereon are fully paid according to the face, tenor, effect and reading thereof, when this Deed shall become absolute as to the Lender's Vendor Lien and Superior Title so retained, the said Lender's Vendor Lien and Superior Title herein retained are hereby transferred, assigned, sold and conveyed to Lender, its successors and assigns, the payee named in the Lender Note, without recourse on or warranty by Grantor; (b) the Grantor's Vendor Lien and Superior Title are retained against the Property by Grantor, its successors and assigns until the Grantor Note and all interest thereon are fully paid according to the face, tenor, effect and reading thereof, when this Deed shall become absolute as to the Grantor's Vendor Lien and Superior Title so retained; and (c) the Grantor's Vendor Lien and Superior Title retained for the benefit of Grantor pursuant to the provisions hereof have been subordinated to the Lender's Vendor Lien and Superior Title retained for the benefit of Lender pursuant to that certain Tri-Party Agreement of even date herewith between Lender, Grantor and Grantee.

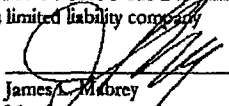
THE AFFIDAVIT OF CORRECTION INSTRUMENT IS ATTACHED HERETO AS EXHIBIT "C".

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

EXECUTED on November 5, 2015 and EFFECTIVE as of November 3, 2015.

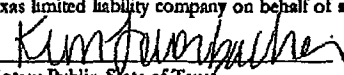
GRANTOR:

DENTON COUNTY 128 DEVELOPMENT LLC,
a Texas limited liability company

By: 
Name: James L. Mabrey
Its: Member

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on the 5 day of May 2015 by James L. Mabrey, Member of Denton County 128 Development LLC, a Texas limited liability company on behalf of said company.


Notary Public, State of Texas

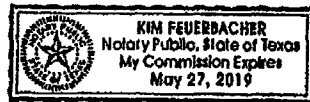


EXHIBIT 'A'
Legal Description

LEGAL DESCRIPTION
127.930 ACRES

BEING that certain tract of land situated in the Thomas H. McIntyre Survey, Abstract No. 903, in Denton County, Texas, and being all of that certain tract of land described in deed to Denton County 128 Development LLC recorded in Document No. 2013-135475, of the Real Property Records of Denton County, Texas (RPRDCT), and being more particularly described as follows;

COMMENCING at a 1/2 inch iron rod found at the intersection of the east right-of-way line of Farm to Market (FM) Road No. 1385 (variable width R.O.W.), and the approximate center of Crutchfield Road (undedicated public road), said iron rod also being the northwest corner of that certain tract of land described in deed to Tarsan Corporation recorded in Document No. 2002-108524, RPRDCT;

THENCE North 89°43'38" East, continuing with the east right-of-way line of FM No. 1385, a distance of 2.88 feet to the POINT OF BEGINNING of herein described tract, a 1/2 inch iron rod found for corner, said iron rod being the southwest corner of said Denton County 128 Development LLC tract;

THENCE North 01°41'02" East, continuing with the east right-of-way line of FM No. 1385, a distance of 606.22 feet to a 1/2 inch iron rod found for corner;

THENCE North 00°48'15" East, continuing with the east right-of-way line of FM No. 1385, a distance of 797.75 feet to a 1/2 inch iron rod found for corner at the most westerly northwest corner of said Denton County 128 Development LLC tract, and the southwest corner of that certain tract of land described in deed to Munish Gupta and Anusha Gupta recorded in Document No. 2013-84112, RPRDCT;

THENCE North 89°33'57" East, leaving the east right-of-way line of FM No. 1385, and with the north line of said Denton County 128 Development LLC tract, and the south line of said Gupta tract, a distance of 1280.98 feet to a 1/2 inch iron rod found for corner;

THENCE North 00°21'49" West, with a west line of said Denton County 128 Development LLC tract, the east line of said Gupta tract, and the east line of that certain tract of land described in deed to Dena C. Riley recorded in Document No. 00-R0050894, RPRDCT, a distance of 547.19 feet to a 5/8 inch capped iron rod ("J-E #3700) found for corner at the southeast corner of that certain tract of land described in deed to Jeff Hamner recorded in Volume 2156, Page 762, RPRDCT;

THENCE North 00°25'32" West, with a west line of said Denton County 128 Development LLC tract, and an east line of said Jeff Hamner tract, a distance of 553.05 feet to a 1/2 inch iron rod found for corner at the northeast corner of said Jeff Hammer tract, and the southeast corner of that certain tract of land described in deed to 28 & 12 Arm on Preston Road, Ltd. recorded in Instrument

No. 2004-137416, RPRDCT;

THENCE North 00°02'29" East, with a west line of said Denton County 128 Development LLC tract, and the east line of said 28 & 12 Arm on Preston Road, Ltd. tract, a distance of 73.81 feet to a 1/2 inch iron rod found for corner at the most northerly northwest corner of said Denton County 128 Development LLC tract, and the most southerly southwest corner of that certain tract of land described in deed to Blue Angus Ranch, LP, recorded in Instrument No. 2007-107216, RPRDCT;

THENCE South 89°46'58" East, with the most northerly north line of said Denton County 128 Development LLC tract, and the most southerly south line of said Blue Angus Ranch, LP tract, a distance of 959.75 feet to a 3/8 inch iron rod found for corner at the most southerly southeasterly corner of said Blue Angus Ranch, LP tract, and a southwest corner of that certain tract of land described in deed to Fashand Farm, Ltd. recorded in Document No. 2004-135532, RPRDCT;

THENCE South 89°47'30" East, continuing with the most northerly north line of said Denton County 128 Development LLC tract, and with a south line of said Fashand Farm, Ltd. tract, a distance of 395.36 feet to a 1/2 inch iron rod found for corner;

THENCE South 02°55'32" West, with an east line of said Denton County 128 Development LLC tract, and a west line of said Fashand Farm, Ltd. tract, a distance of 454.72 feet to a 1/2 inch iron rod found for corner;

THENCE North 89°27'35" East, with a north line of said Denton County 128 Development LLC tract, and a south line of said Fashand Farm, Ltd. tract, a distance of 156.79 feet to 1/2 inch iron rod found for corner at a northeast corner of said Denton County 128 Development LLC tract, and the northwest corner of that certain tract of land described in deed to Fashand Farm, Ltd. recorded in Document No. 2005-21653, RPRDCT;

THENCE South 00°09'07" East, with the most easterly east line of said Denton County 128 Development LLC tract, the west line of said Fashand Farm, Ltd. tract recorded in Document No. 2005-21653, RPRDCT, and the west line of that certain tract of land described in deed to Jan M. Paliwoda and Margaret Paliwoda recorded in Volume 4364, Page 1631, RPRDCT, a distance of 2035.13 feet to a 1/2 inch capped iron rod (#6005) found for corner at the northeast corner of that certain tract of land described in deed to SBA Towers IV, LLC recorded in Document No. 2013-94302, RPRDCT;

THENCE South 89°09'16" West, with the north line of said SBA Towers IV, LLC tract, a distance of 50.18 feet to a 1/2 inch capped iron rod (#6005) found for corner;

THENCE South 00°57'44" East, with the west line of said SBA Towers IV, LLC tract, a distance of 50.16 feet to a 1/2 inch capped iron rod (#6005) found for corner;

THENCE North 89°07'28" East, with the south line of said SBA Towers IV, LLC tract, a distance of 49.90 feet to a 1/2 inch iron rod found for corner on said most easterly east line of said Denton County 128 Development LLC tract, and the west line of said Jan M. Paliwoda and Margaret Paliwoda tract;

THENCE South 00°54'46" East, with said most easterly east line of said Denton County 128 Development LLC tract, and the west line of the Jan M. Paliwoda and Margaret Paliwoda tract, a distance of 31.06 feet to a 1/2 inch iron rod found for corner on said approximate center of Crutchfield Road, and being the southeast corner of said Denton County 128 Development LLC tract;

THENCE South 89°43'38" West, with said approximate center of Crutchfield Road, the north line of that certain tract of land described in deed to Mike A. Myers Investment Holdings, L.P. tract recorded in Document No. 2005-33384, RPRDCT, and the north line of said Tarsan tract, a distance of 2797.59 feet to the POINT OF BEGINNING of herein described tract of land containing an area of 127.930 acres of land.

EXHIBIT "B"**Permitted Encumbrances**

1. Restrictive Covenants recorded in Volume 2537, Page 773, of the Real Property Records of Denton County, Texas.
2. All leases, grants, exceptions or reservations of coal, lignite, oil, gas and other minerals, together with all rights, privileges, and immunities relating thereto, appearing in the Public Records.
3. Rights of farm tenant in possession.
4. Easement executed by Bankers Life Insurance Company to Denton County Electric Cooperative, Inc., dated June 21, 1938, filed September 5, 1953, recorded in Volume 402, Page 154, of the Deed Records of Denton County, Texas, as affected by Agreement Defining Area Embraced Within Easement, dated August 26, 2013, filed August 30, 2013, recorded under Instrument No. 2013-109502, of the Real Property Records of Denton County, Texas, as shown on survey dated October 27, 2015, revised October 28, 2015, prepared by Jimmie D. Nichols, R.P.L.S. No. 5184.
5. Easement executed by High Point Farms, J.V., to H2M Water Systems, Inc., dated May 5, 1989, filed May 11, 1989, recorded in Volume 2576, Page 303, of the Real Property Records of Denton County, Texas, as shown on survey dated October 27, 2015, revised October 28, 2015, prepared by Jimmie D. Nichols, R.P.L.S. No. 5184.
6. Terms, conditions and stipulations contained in Sanitary Control Easement executed by Alpha Properties, dated February 21, 1989, filed February 28, 1989, recorded in Volume 2537, Page 773, of the Real Property Records of Denton County, Texas, as shown on survey dated October 27, 2015, revised October 28, 2015, prepared by Jimmie D. Nichols, R.P.L.S. No. 5184.
7. Easement executed by Affordable Housing Communities, Ltd., to TowerCo II LLC, dated May 25, 2011, filed May 31, 2011, recorded under Instrument No. 2011-49036, of the Real Property Records of Denton County, Texas, as affected by Memorandum of Agreement by and between TowerCo II LLC, and Sprint Spectrum Realty Company, dated July 21, 2011, filed July 29, 2011, recorded under Instrument No. 2011-70485, of the Real Property Records of Denton County, Texas, as shown on survey dated October 27, 2015, revised October 28, 2015, prepared by Jimmie D. Nichols, R.P.L.S. No. 5184.
8. Interest in and to all coal, lignite, oil, gas and other minerals, and all rights incident thereto, contained in instrument dated October 3, 1979, filed October 11, 1979, in Volume 980, Page 516, of the Deed Records of Denton County, Texas. As affected by Surface Waiver Agreement filed November 12, 2013, recorded under Instrument No. 2013-135465, of the Real Property Records of Denton County, Texas.

9. Interest in and to all coal, lignite, oil, gas and other minerals, and all rights incident thereto, contained in instrument dated August 1, 1983, filed August 4, 1983, in Volume 1241, Page 727, of the Real Property Records of Denton County, Texas.
10. No liability is assumed by reason of the following as shown on survey dated October 27, 2015, revised October 28, 2015, prepared by Jimmie D. Nichols, R.P.L.S. No. 5184:
 - a. Power line and poles along the South and southernmost West property lines.
 - b. Underground telephone/fiber optic lines along the West property line as evidenced by telephone pedestals and buried telephone cable markers.
 - c. Underground telephone/fiber optic lines along the South property line as evidenced by buried cable signs.
 - d. That portion of subject property lying within the right of way of Crutchfield Road along the South property line.
 - e. Rights or claims, if any, of adjoining property owner(s) in and to that portion of the property lying between the fence and the southernmost East property line.

EXHIBIT "C"
Affidavit of Correction Instrument

[Attached hereto]

**AFFIDAVIT OF CORRECTION INSTRUMENT
AS TO A RECORDED ORIGINAL INSTRUMENT**

Effective Date of Affidavit: November 5, 2015

Affiant: JAMES L. MABREY

Description of Original Instrument (include name of instrument, date, parties and recording information):

SPECIAL WARRANTY DEED WITH VENDOR'S LIEN (THE "ORIGINAL DEED"), DATED NOVEMBER 3, 2015, RECORDED ON NOVEMBER 4, 2015 AT 8:57:23 AM, AS DOCUMENT NO. 2015-127939, OFFICIAL PUBLIC RECORDS, DENTON COUNTY, TEXAS, ATTACHED HERETO AS EXHIBIT "A".

Affiant or oath swears that the following statements are true and within the personal knowledge of Affiant:

1. My name is JAMES L. MABREY. I am over the age of eighteen (18) years and am otherwise competent to make this Correction Affidavit.
2. I have personal knowledge of the facts relevant to the correction of the above referenced Original Instrument as evidenced by the following facts (describe facts indicating personal knowledge below):

I am the Manager and Member of Denton County 128 Development LLC, which was the Grantor under the Original Special Warranty Deed with Vendor's Lien.

3. I am making this Affidavit as a correction instrument pursuant to §5.028 of the Texas Property Code, with regard to the following clerical error in the Original Instrument (describe error below):

The legal description is incorrect in that the legal description was from an old survey and it should be amended to be consistent with the most recent survey.

4. The Original Instrument should correctly read as described in the "Correction Special Warranty Deed with Vendor's Lien" on its Exhibit "A" with respect to the clerical error in the legal description.
5. I have given notice of this correction of the Original instrument by sending a copy of this Correction Affidavit by personal delivery to both parties to the Original Instrument, in accordance with §5.028 (d) (2) of the Texas Property Code.

Executed and effective as of the date set forth above

AFFIANT:

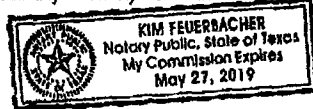
By:

JAMES L. MABREY

STATE OF TEXAS §

COUNTY OF DALLAS §

SWORN TO AND SUBSCRIBED before me on this 5 day of November 2015 by James L. Mabrey to certify which witness my hand and seal of office.

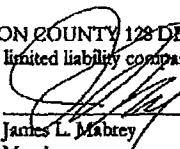


Kim Feuersbacher
Notary Public, State of Texas

Personally Received by:

GRANTOR:

DENTON COUNTY 128 DEVELOPMENT LLC,
a Texas limited liability company

By: 
Name: James L. Mabrey
Its: Member

GRANTEE:

CADG Sutton Fields II, LLC,
a Texas limited liability company

By: CADG Holdings, LLC,
a Texas limited liability company
Its Sole Managing Member

By: MMM Ventures, LLC,
a Texas limited liability company
Its Manager

By: 2M Ventures, LLC,
a Delaware limited liability company
Its Manager


By: 
Name: Mehrdad Moayedi
Its: Manager

EXHIBIT A
Recorded Original Special Warranty Deed with Vendor's Lien

[Attached hereto]

2

**** Electronically Filed Document ****

Denton County
Juli Luke
County Clerk

Document Number: 2015-127939
Recorded As ERX-WARRANTY DEED

Recorded On: November 04, 2015
Recorded At: 08:57:23 am
Number of Pages: 8

Recording Fee: \$54.00

Parties:

Direct- DENTON COUNTY 128 DEVELOPMEN
Indirect-

Receipt Number: 1356310
Processed By: Timothy Duvall

***** THIS PAGE IS PART OF THE INSTRUMENT *****

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY
because of color or race is invalid and unenforceable under federal law.



STATE OF TEXAS
COUNTY OF DENTON

I hereby certify that this instrument was FILED in the Public Records on the date and
place shown, and was duly RECORDED in the Official Records of Denton County, Texas.

Juli Luke

County Clerk
Denton County, Texas

Sender's Title

GR# 1506505-NCJA

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

SPECIAL WARRANTY DEED WITH VENDOR'S LIEN

THE STATE OF TEXAS
COUNTY OF DENTON

§
§
§

KNOW ALL MEN BY THESE PRESENTS:

THAT Denton County 128 Development LLC, a Texas limited liability company (hereinafter called "Grantor"), whether one or more, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other valuable consideration to the undersigned in hand paid by CADG Sutton Fields H, LLC, a Texas limited liability company (herein referred to as "Grantee"), the receipt and sufficiency of which are hereby acknowledged, for the further consideration of the execution and delivery by Grantee to TREZ CAPITAL (2014) CORPORATION, a British Columbia corporation ("Lender") of that certain promissory note of even date herewith in the original principal amount of FIVE MILLION ONE HUNDRED THOUSAND AND NO/100 DOLLARS (\$5,100,000.00), payable as therein provided (the "Lender Note"), the payment of the Lender Note being secured by a Vendor's Lien (the "Lender's Vendor Lien") herein retained and being additionally secured by a Deed of Trust (With Security Agreement), of even date herewith executed by Grantor for the benefit of Lender and for the further consideration of the execution and delivery by Grantee to Grantor of that certain promissory note of even date herewith in the original principal amount of FOUR MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$4,500,000.00), payable as therein provided (the "Grantor Note"), the payment of the Grantor Note being secured by a Vendor's Lien herein retained (the "Grantor's Vendor Lien"), and being additionally secured by a Deed of Trust of even date herewith to David M. Tatum, Trustee on behalf of Grantor, reference to which is hereby made for all purposes, has GRANTED, SOLD AND CONVEYED, and by these presents does GRANT, SELL AND CONVEY unto ("Grantee"), whose address is 1800 Valley View Ln, Suite 300, Farmers Branch, Texas 75234, the real property described on Exhibit "A" attached hereto and incorporated herein by reference together with all of Grantor's right, title and interest in and to all buildings, personal property and fixtures located thereon, all rights and easements appurtenant thereto, all permits, authorizations, governmental entitlements and approvals in connection therewith, all roads, streets, alleys and rights of way adjacent thereto, and all rights and appurtenances thereto including any strips and gores adjacent to or lying between the property and any adjacent real property in anywise belonging to Grantor (the "Property").

This conveyance made and accepted subject to the following (the "Permitted Exceptions"): (a) the matters affecting title to the Property which are described on Exhibit "B" attached hereto; and (b) any zoning ordinances, requirements, proffers and/or conditions required of or imposed upon Grantor, Grantee or the Property by any governmental authority in connection with the entitlement, platting, processing, and development of the Property. Grantor assumes and

SPECIAL WARRANTY DEED WITH VENDOR'S LIEN - PAGE 1

agrees to perform each of the terms, provisions, obligations and requirements of the Permitted Exceptions with respect to the period beginning on and following the date hereof.

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereto in anywise belonging, unto the Grantee and Grantee's successors and assigns forever, subject to the matters set forth herein; and Grantor does hereby bind itself, its successors and assigns to WARRANT AND FOREVER DEFEND all and singular the Property unto the Grantee, Grantee's successors and assigns against every person whomsoever claiming or to claim the same or any part thereof, by, through or under Grantor, but not otherwise, subject to the Permitted Exceptions.

Ad valorem taxes applicable to the Property have been paid up to, and including the year 2015. Ad valorem taxes applicable to the Property for the year 2015 have been prorated between the Grantor and the Grantee as of the date of this Special Warranty Deed and payment thereof is assumed by Grantee.

But it is expressly agreed and stipulated that: (a) the Lender's Vendor Lien and Superior Title are retained against the Property by Grantor, its successors and assigns, until the Lender Note and all interest thereon is fully paid according to the face, tenor, effect and reading thereof, when this Deed shall become absolute as to the Lender's Vendor Lien and Superior Title so retained, the said Lender's Vendor Lien and Superior Title herein retained are hereby transferred, assigned, sold and conveyed to Lender, its successors and assigns, the payee named in the Lender Note, without recourse on or warranty by Grantor; (b) the Grantor's Vendor Lien and Superior Title are retained against the Property by Grantor, its successors and assigns until the Grantor Note and all interest thereon are fully paid according to the face, tenor, effect and reading thereof, when this Deed shall become absolute as to the Grantor's Vendor Lien and Superior Title so retained; and (c) the Grantor's Vendor Lien and Superior Title retained for the benefit of Grantor pursuant to the provisions hereof have been subordinated to the Lender's Vendor Lien and Superior Title retained for the benefit of Lender pursuant to that certain Tri-Party Agreement of even date herewith between Lender, Grantor and Grantee.

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SPECIAL WARRANTY DEED WITH VENDOR'S LIEN - PAGE 2

EXECUTED as of the 3rd day of November, 2015.

GRANTOR:

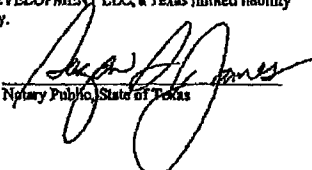
DENTON COUNTY 128 DEVELOPMENT LLC,
a Texas limited liability company

By: 
Name: James L. Mabrey
Its: Member

THE STATE OF TEXAS §
COUNTY OF DALLAS §

KNOW ALL MEN BY THESE PRESENTS THAT:

This instrument was acknowledged before me on the 3rd day of November, 2015, by James L. Mabrey, Member of DENTON COUNTY 128 DEVELOPMENT LLC, a Texas limited liability company, on behalf of said limited liability company.


Notary Public, State of Texas



SPECIAL WARRANTY DEED WITH VENDOR'S LIEN - PAGE 3

LEGAL DESCRIPTION

THENCE North 00 degrees 03 minutes 46 seconds East with a West line of said 128.01 acre tract and the East line of said 12.29 acre tract, a distance of 73.78 feet to a 1/2 inch iron pin found at the northern most Northwest corner of said 128.01 acre tract and the East line of said 12.29 acre tract, said pin also being at the southern most Southwest corner of a called 38,223 acre tract described in 1 deed to Blue Angus Ranch, LP, recorded under Document Number 2007-107216, Real Property Records, Denton County, Texas;

02/26/03 12:44:01

THENCE South 89 degrees 46 minutes 58 seconds East with the northern most North line of said 128.01 acre tract and the southern most South line of said Blue Angus Ranch tract, a distance of 959.68 feet to a 3/8 inch iron pin found on the northern most North line of said 128.01 acre tract and the southern most Southeast corner of said Blue Angus Ranch tract, said pin also being at the western most Southwest corner of a called 131.286 acre tract described in a deed to Fashand Farm Ltd., recorded under Document Number 2064-135332, Real Property Records, Denton County, Texas;

THENCE South 89 degrees 47 minutes 31 seconds East with the northern most North line of said 128.01 acre tract and the southern most South line of said 131.286 acre tract, a distance of 395.15 feet to a 1/2 inch iron pin found at the northern most Northeast corner of said 128.01 acre tract and an inner ell corner of said 131.286 acre tract;

THENCE South 02 degrees 54 minutes 00 seconds West, a distance of 454.69 feet 1/2 inch iron pin found at an inner ell corner of said 128.01 acre tract;

THENCE North 89 degrees 30 minutes 12 seconds East, a distance of 156.62 feet to a 1/4 inch iron pin found at the eastern most Northeast corner of said 128.01 acre tract and on the southern most South line of said 131.286 acre tract, said pin also being at the Northwest corner of a called 22.493 acre tract described in a deed to Fashand Farm Ltd., recorded under Document Number 2005-21653, Real Property Records, Denton County, Texas;

THENCE South 00 degrees 09 minutes 22 seconds East, a distance of 2034.68 feet to a 1/2 inch iron pin found on the eastern most East line of said 128.01 acre tract;

THENCE South 89 degrees 14 minutes 57 seconds West, a distance of 50.31 feet to a 1/2 inch iron pin found for corner;

THENCE South 00 degrees 56 minutes 28 seconds East, a distance of 50.03 feet to a 1/2 inch iron pin found for corner;

THENCE North 89 degrees 12 minutes 15 seconds East, a distance of 49.92 feet to a 1/2 inch iron pin found on the eastern most East line of said 128.01 acre tract;

THENCE South 01 degrees 18 minutes 52 seconds East with the eastern most East line of said 128.01 acre tract, a distance of 31.07 feet to a 1/2 inch iron pin found at the southern most Southeast corner of said 128.01 acre tract in the centerline of Crutchfield Road and the South boundary line of said McIntyre Survey;

THENCE South 89 degrees 43 minutes 14 seconds West along the centerline of Crutchfield Road and the South boundary line of said McIntyre Survey, a distance of 2797.30 feet to the POINT OF BEGINNING and containing in all 127.897 acres of land, more or less.

SPECIAL WARRANTY DEED WITH VENDOR'S LIEN - PAGE 5

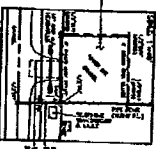
EXHIBIT "B"PERMITTED ENCUMBRANCES

1. Restrictive Covenants recorded in Volume 2537, Page 773, of the Real Property Records of Denton County, Texas.
2. All leases, grants, exceptions or reservations of coal, lignite, oil, gas and other minerals, together with all rights, privileges, and immunities relating thereto appearing in the Public Records.
3. Rights of farm tenant in possession.
4. Easement executed by Bankers Life Insurance Company to Denton County Electric Cooperative, Inc., dated June 21, 1938, filed September 5, 1953, recorded in Volume 402, Page 154, of the Deed Records of Denton County, Texas, as affected by Agreement Defining Area Embraced Within Easement, dated August 26, 2013, filed August 30, 2013, recorded under Instrument No. 2013-109502, of the Real Property Records of Denton County, Texas, as shown on survey dated October 27, 2015, revised October 28, 2015, prepared by Jimmie D. Nichols, R.P.L.S. No. 5184.
5. Easement executed by High Point Farms, J.V., to H2M Water Systems, Inc., dated May 5, 1989, filed May 11, 1989, recorded in Volume 2576, Page 303, of the Real Property Records of Denton County, Texas, as shown on survey dated October 27, 2015, revised October 28, 2015, prepared by Jimmie D. Nichols, R.P.L.S. No. 5184.
6. Terms, conditions and stipulations contained in Sanitary Control Easement executed by Alpha Properties, dated February 21, 1989, filed February 28, 1989, recorded in Volume 2537, Page 773, of the Real Property Records of Denton County, Texas, as shown on survey dated October 27, 2015, revised October 28, 2015, prepared by Jimmie D. Nichols, R.P.L.S. No. 5184.
7. Easement executed by Affordable Housing Communities, Ltd., to TowerCo II LLC, dated May 25, 2011, filed May 31, 2011, recorded under Instrument No. 2011-49036, of the Real Property Records of Denton County, Texas, as affected by Memorandum of Agreement by and between TowerCo II LLC, and Sprint Spectrum Realty Company, dated July 21, 2011, filed July 29, 2011, recorded under Instrument No. 2011-70485, of the Real Property Records of Denton County, Texas, as shown on survey dated October 27, 2015, revised October 28, 2015, prepared by Jimmie D. Nichols, R.P.L.S. No. 5184.
8. Interest in and to all coal, lignite, oil, gas and other minerals, and all rights incident thereto, contained in instrument dated October 3, 1979, filed October 11, 1979, in Volume 980, Page 516, of the Deed Records of Denton County, Texas, as affected by Surface Waiver Agreement filed November 12, 2013, recorded under Instrument No. 2013-135465, of the Real Property Records of Denton County, Texas.
9. Interest in and to all coal, lignite, oil, gas and other minerals, and all rights incident thereto,

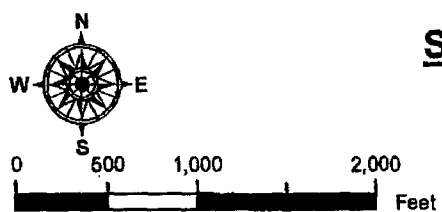
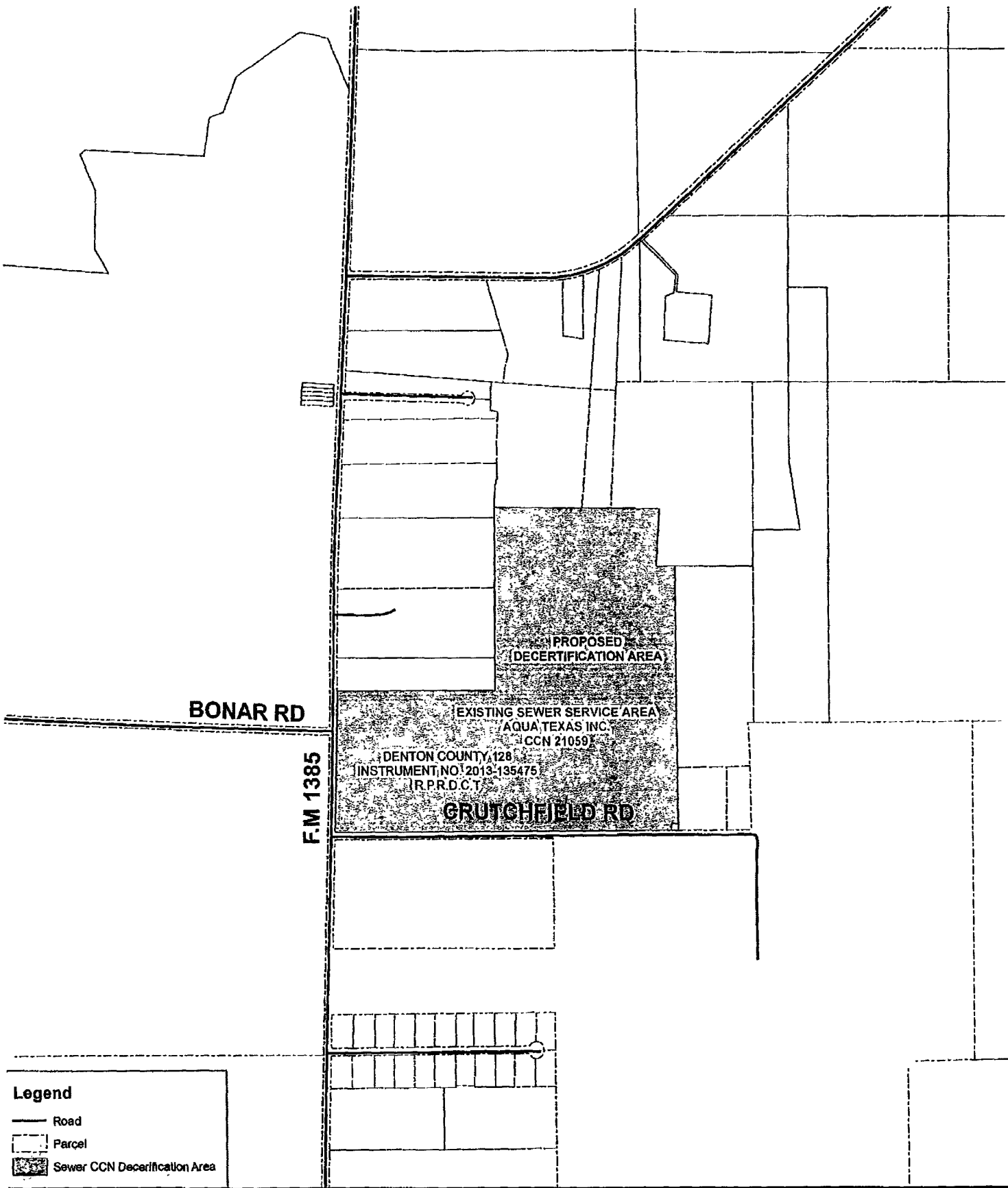
contained in instrument dated August 1, 1983, filed August 4, 1983, in Volume 1241, Page 727, of the Real Property Records of Denton County, Texas.

10. No liability is assumed by reason of the following as shown on survey dated October 27, 2015, revised October 28, 2015, prepared by Jimmie D. Nichols, R.P.L.S. No. 5184:
 - a. Power line and poles along the South and southernmost West property lines.
 - b. Underground telephone/fiber optic lines along the West property line as evidenced by telephone pedestals and buried telephone cable markers.

Underground telephone/fiber optic lines along the South property line as evidenced by buried cable signs.
 - d. That portion of subject property lying within the right of way of Crutchfield Road along the South property line.
 - e. Rights or claims, if any, of adjoining property owner(s) in and to that portion of the property lying between the fence and the southernmost East property line.



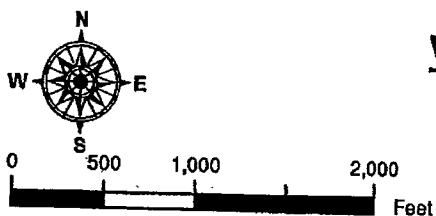
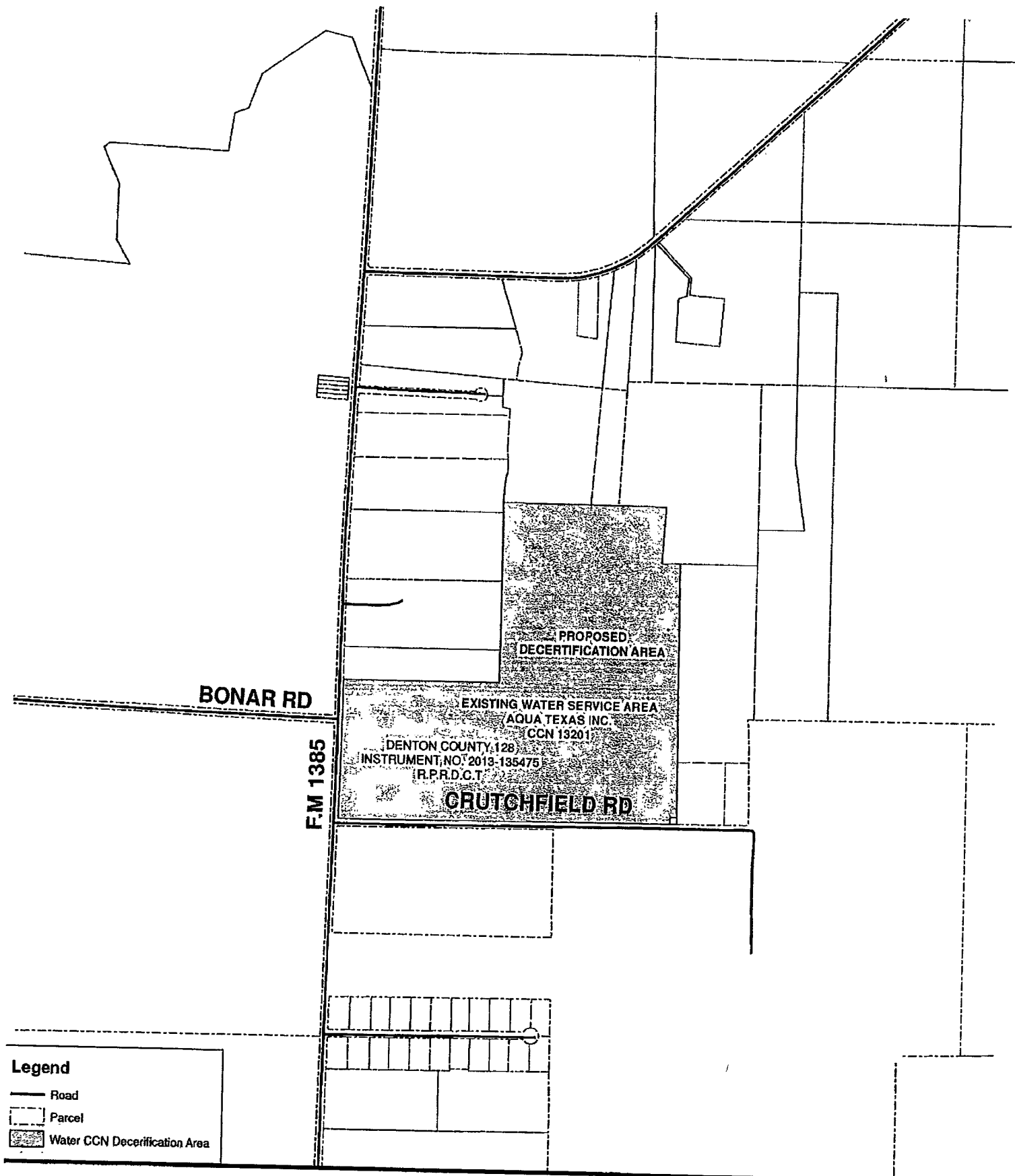
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Sewer CCN Decertification Area Map

DENTON COUNTY 128 127.930 AC

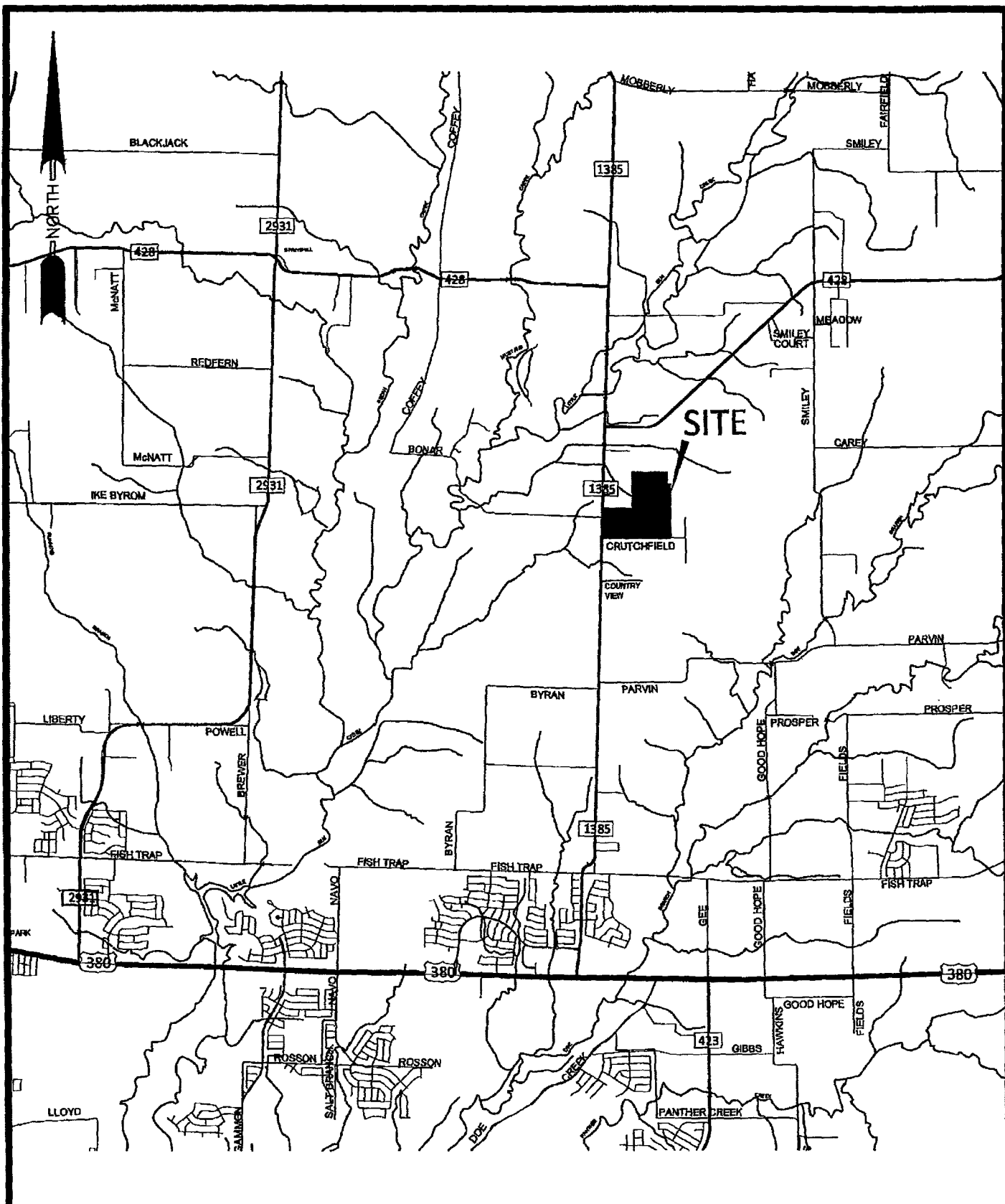
NOTE:
Data reflected herein is as of 10/06/09
Denton County Central Appraisal District,
the Denton County Clerks Office, and the
Texas Public Utility Commission



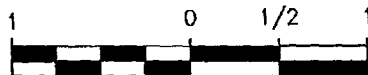
Water CCN Decertification Area Map

DENTON COUNTY 128 127.930 AC

NOTE:
Data reflected herein is derived from the
Denton County Central Appraisal District,
the Denton County Clerks Office, and the
Texas Public Utility Commission



CCN LOCATION MAP



1 inch = 1 mile

Aqua 000062