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EXHIBIT MPSUD-2

SOAH DOCKET NO. 952-15-3851
PUC DOCKET NO. 46120

APPLICATION OF CITY OF MIDLOTHIAN NOTICE OF PROVIDE WATER SERVICE TO LAND DECERTIFIED FROM MOUNTAIN PEAK SPECIAL UTILITY DISTRICT	§ § § § §	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

PREFILED DIRECT TESTIMONY OF DONALD G. RAUSCHUBER ON BEHALF OF MOUNTAIN PEAK SPECIAL UTILITY DISTRICT

JANUARY 17, 2017

EXHIBIT MPSUD-2

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Donald G. Rauschuber. My business address is P.O. Box 342707, Austin, Texas 76734.

Q. MR. RAUSCHUBER, WHAT IS YOUR OCCUPATION AND POSITION?

A. I am a registered professional engineer in the State of Texas with a specialty in Water Resources Engineering. I am the president and owner of DGRA, Inc., Austin, Texas having a physical address of 9601 Dawning Court, Austin, Texas

Q. WOULD YOU PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND?

A. Yes. In 1970, I earned a Bachelor of Science Degree in Civil Engineering from Texas Tech University, and I earned a Master of Science in Civil Engineering from Texas Tech University in 1972. Since August 1975, I have been a Licensed Professional Engineer in Texas, holding license number 38068.

Q. PLEASE BRIEFLY DESCRIBE YOUR WORK EXPERIENCE.

A. From 1972 to 1977, I worked for the Texas Water Development Board as an Engineer and Hydrologist, focusing on the evaluation of the effects of water resource development on Texas bay and estuary systems. Also, while at the TWDB, I performed numerous statewide water resources planning studies, and I was a co-author of a state-wide water plan. In 1977, I joined Henningson, Durham, and Richardson, Inc., as Manager of the Austin Office, Director of the Water Resources Program, and Assistant Vice-President of the company. I managed and developed projects, environmental investigations, hydrological studies, and municipal engineering services.

In 1981, I founded Donald G. Rauschuber and Associates, Inc. Since its inception, I have been a principal investigator and project manager on numerous water resources and environmental projects in the past 37 years. Since founding DGRA, Inc., I have provided water and wastewater consulting engineering services in the following fields:

- valuation and appraisals of water and sewer certificates of convenience and necessity (CCNs) subject to voluntary and involuntary decertification by the Public Utility Commission of Texas (PUC) and its predecessor agency the Texas Commission on Environmental Quality (TCEQ);
- water and wastewater project planning and development;
- water rights and groundwater permitting;
- development and evaluation of water and wastewater retail and wholesale rates;
- preparation and assessments of water and sewer CCNs and Sale-Transfer-Merger (STM) applications;
- water and wastewater enforcement matters before the TCEQ and its predecessor agencies;

- formulation of developer agreements for water and sewer services among and between political subdivisions and developers for water, sewer, and other services;
- water and wastewater design;
- construction management services; and
- groundwater and surface water engineering.

My experience includes preparation of water and wastewater valuation assessments, rate studies and contracts/agreements for water and/or wastewater services between and among political subdivisions and/or developers. I have performed water and wastewater rate, asset valuation and CCN assessments associated with State of Texas administrative/regulatory projects for numerous public and private utilities. A listing of clients for whom I have performed administrative/regulatory projects is presented in Exhibit DGR-1.

I have provided water and wastewater consulting engineering services in the fields of water and wastewater system management, project planning and development, water rights permitting, water and wastewater rates, preparation and assessments of TCEQ water and sewer CCN and STM applications, enforcement matters before the TCEQ and its predecessor agencies, formulation of developer agreements among and between political subdivisions and developers for water, sewer, and other services, water and wastewater design and construction management services, and municipal engineering.

In summary, over the last four-plus decades I have been involved with hundreds of projects on behalf of both public and private entities located throughout Texas. These projects have involved all aspects of water and wastewater development and management, water and wastewater rates, regulatory assessments and processing, contract preparations and evaluations. A copy of my professional resume is attached as Exhibit DGR- 1.

Q. DOES EXHIBIT DGR-1 ACCURATELY REPRESENT YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND AND REPRESENTATIVE MATTERS?

A. Yes.

Mountain Peak SUD offers Exhibit DGR-1.

Q. WOULD YOU PLEASE ELABORATE ON YOUR EXPERIENCE IN PUC AND ITS PREDECESSOR AGENCIES MATTERS?

A. Yes. I have extensive experience before the PUC and its predecessor agencies involving CCN, STM, water and wastewater rates, and water rights applications. Since beginning my career in 1972, I have been qualified as an expert witness in numerous contested hearings on behalf of public and private entities before the PUC (and its predecessor agencies) and the State Office of Administrative Hearings. Also, I have been qualified as an expert witness in Water Resource Engineering in several state and federal court cases.

Q. MR. RAUSCHUBER, HAVE YOU BEEN DISTRICT ENGINEER OR GENERAL MANAGER FOR ANY MAJOR WATER AND SEWER AGENCIES?

A. Yes. During the period 2001 to 2009, I was General Manager and District Engineer for the Chisholm Trail SUD, Florence, Texas, and during the period 2012 to 2016, I was General Manager of the West Travis County Public Utility Agency (WTCPUA).

Q. AS GENERAL MANAGER OF THE CHISHOLM TRAIL SUD AND WTCPUA, WHAT WERE YOUR DUTIES AND RESPONSIBILITIES?

A. I was responsible for the day-to-day operations for each entity including, but not limited to, water/sewer planning and development activities, plant operations, customer services, chief officer in charge of all local, state and federal regulatory authorizations and permits, and was the chief fiduciary officer for of each agency.

II. PURPOSE OF TESTIMONY

Q. MR. RAUSCHUBER, WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE PROCEEDINGS?

A. The purpose of my testimony is to provide engineering and asset valuation support services to Mountain Peak Special Utility District (Mountain Peak SUD or the District) related to PUC Docket No. 46120 and companion PUC Docket No. 44394. I understand that the PUC has indicated that PUC Docket No. 46120 will be handled in two phases with the first phase aimed at determining what property, if any, has been rendered useless or valueless to the District by the decertification of the Park Property.

I have been retained by Mountain Peak SUD and have prepared this written testimony that sets forth my technical and expert opinions related to the interpretation and applicability of Texas Water Code Chapter 13.254(d) and the property belonging to Mountain Peak SUD which has been rendered useless or valueless due to the decertification in PUC Docket No. 44394.

Q. WHAT TRACT OF LAND IS ASSOCIATED WITH PUC DOCKET NO. 46120?

A. The "Park Property" involved in this matter is an approximate 97.7-acre tract of land, shown within a green hatched area on Exhibit DGR-2, which was decertified from Mountain Peak SUD's water CCN No. 10908 in PUC Docket No. 44394. The Park Property was part of a larger 290-acre property which I will refer to as the Lawson Property or the Lawson Farms Subdivision.

Q. SINCE BEING RETAINED BY MOUNTAIN PEAK SUD, HAVE YOU BECOME FAMILIAR WITH THE UTILITY AND THE MATTERS RELATED TO PUC DOCKET 46120?

A. Yes. I have reviewed numerous documents related to PUC Docket 46120 and companion PUC Docket No. 44394. I have also held several telephone conversations with Mr. Randel Kirk, the General Manager of Mountain Peak SUD, and on December 1, 2016, I met with Mr. Kirk at his Midlothian, Texas offices. At this meeting, Mr. Kirk gave me a

comprehensive tour of the District's water system with specific emphasis on the Park Property that is the subject of PUC Docket No. 46120.

III. SUMMARY OF TESTIMONY

Q. MR. RAUSCHUBER, IN YOUR PROFESSIONAL OPINION, HAS PROPERTY BELONGING TO MOUNTAIN PEAK SUD BEEN RENDERED USELESS OR VALUELESS BY THE DECERTIFICATION OF THE PARK PROPERTY?

A. Yes. Property, including tangible property and intangible property, has been rendered useless or valueless to Mountain Peak SUD as a result of the decertification, including water facility assets designed to serve the upper pressure plane where the Park Property is located and costs and expenses associated with those assets and with the decertification of the Park Property.

Q. MR. RAUSCHUBER, IN YOUR PROFESSIONAL OPINION, SHOULD MOUNTAIN PEAK SUD RECEIVE COMPENSATION FOR ITS STRANDED FACILITIES AND OUT-OF-POCKET COSTS IN THIS MATTER?

A. Yes.

Q. PLEASE EXPLAIN YOUR ANSWER.

A. Unlike most other expedited release cases that involve raw undeveloped land located within a retail public utility's water CCN area, this case involves a 100±-acre tract land, referred to herein as the Park Property, located within an active development where Mountain Peak SUD had entered into a valid water service agreement with a land development company. Since that time, Mountain Peak SUD has expended hundreds of thousands of dollars to plan, design, and construct water facilities to serve the Park Property in a manner that is consistent with the residential development that was anticipated by the developer.

Because of the withdrawal of the Park Property from Mountain Peak SUD's water CCN, the District has physical improvements and soft costs that have been stranded and rendered at least partially useless and valueless. For example, optimal use of an existing

6-inch diameter water transmission line located along the south boundary of the Park Property and a 2.06-acre well and pump station site located in the Park Property will be stranded, in part, if not in whole. Another example is the stranding of Mountain Peak SUD's ground and elevated storage capacity that was used and useful to the Park Property. As another example, with the withdrawal of the Park Property from Mountain Peak SUD's water CCN and, more importantly, withdrawal of 100±-acres from the "heart" of an active development, Mountain Peak SUD lost the benefit of anticipated loop water lines that were going to be constructed by the developer through the Park Property. The loop would have provided water connectivity amplifying Mountain Peak SUD's ability to provide continuous and adequate service to its customers located in the remaining parts of the Lawson Farms Development and other Mountain Peak SUD customers located in the utility's upper pressure zone. Mountain Peak SUD must construct a future loop line through or around the Park Property to ensure that its remaining customers located within the impacted area will be provided continuous and adequate water service. The cost of this loop line will be borne by Mountain Peak SUD's existing customers. Examples of soft costs include Mountain Peak SUD's planning and engineering costs associated with the design and construction of stranded assets.

It is my opinion that Mountain Peak SUD's stranded assets are permanently stranded, since Mountain Peak SUD has lost 31.5-percent in terms of anticipated utility connections located within the Park Property footprint. As such, the loss of the 261 single family customer equivalents that were all but guaranteed are permanently stranded and can never be recovered by Mountain Peak SUD, since the Park Property will be provided water service by the City of Midlothian and not the District. The future revenues, costs and benefits Mountain Peak SUD and its customers would have received from development of the Park Property within the District's water CCN are lost forever with respect to Mountain Peak SUD.

IV. TEXAS WATER CODE SECTION 13.254 AND PUC RULES

Q. WHEN YOU SERVED AS THE GENERAL MANAGER AND DISTRICT ENGINEER OF CHISHOLM TRAIL SUD AND THE WTCPUA, DID THOSE ENTITIES HOLD STATE APPROVED WATER CCNS.

A. Yes.

Q. AS GENERAL MANAGER FOR THESE TWO ENTITIES, DID YOU ACQUIRE AN APPRECIATION OF THE VALUE OF A CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN)?

A. Yes, I did.

Q. PLEASE EXPLAIN.

A. A water CCN provides retail public utilities an exclusive (unless an area has dual certification by one or more entities) right to provide retail water service to a defined geographical area. Besides providing an entity monopoly power to provide exclusive retail water service, a CCN establishes a utility's water planning area in which the utility has an obligation, under state law, to provide water service upon request from an applicant located within the CCN boundary. A CCN area is a designated, defined area for which a utility has the obligation to plan for and construct water improvements to serve, often, in advance of need.

Q. IN ORDER TO MEET ITS OBLIGATION TO PROVIDE CONTINUOUS AND ADEQUATE WATER SERVICE IN ITS CCN AREA, IN YOUR OPINION DOES A CCN HOLDER NEED TO PLAN FOR FUTURE GROWTH BEFORE THE GROWTH OCCURS?

A. Absolutely! Texas Water Code (TWC) § 13.250(a) and 16 Texas Administrative Code (TAC) § 24.102(a) require a CCN holder to provide continuous and adequate service within its CCN and public water supply areas and to establish that it has a system capable of providing water service in compliance with health and safety standards and an adequate supply of water. In order to comply with these requirements, a retail public utility must plan for and construct water facilities in advance of need.

Q. WHY DOES A RETAIL PUBLIC UTILITY HAVE TO CONSTRUCT WATER SUPPLY AND INFRASTRUCTURE IMPROVEMENTS IN ADVANCE OF NEED?

A. Major water supply and infrastructure improvements require an extended period, sometime years, to plan, finance, design, obtain necessary local, state and/or federal authorizations, and construct. In contrast, water demands tend to increase or decrease based on short-term economic, housing, and commercial/industrial market conditions and on climate changes. Since a utility must provide continuous and adequate water service, a utility must have more excess water supply, treatment, and transmission capabilities than demand for such services at any point in time.

Q. ONCE A CCN HAS BEEN ISSUED, CAN IT BE TAKEN AWAY FROM THE CCN HOLDER?

A. Yes. Under TWC § 13.254, the PUC may revoke a CCN in specific circumstances. In addition, TWC § 13.254(a-1) allows for "expedited release" of property meeting certain criteria, and TWC § 13.254(a-5) allows for "streamlined expedited release" of property.

Q. WHAT CHAPTER 13.254 PROVISION WAS USED TO DECERTIFY THE PARK PROPERTY?

A. The City of Midlothian, as the owner of the Park Property, used provisions set forth in TWC § 13.254(a-5).

Q. WHEN AN AREA IS REMOVED FROM A CCN, DOES THE STATUTE ENVISION THAT THE DECERTIFIED UTILITY WILL BE COMPENSATED?

A. Yes, it does. Decertification under TWC § 13.254(a-1) and TWC § 13.254(a-5) triggers a compensation process set forth in TWC §§ 13.254(d)-(g-1). TWC § 13.254(d) states:

> (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 because of the decertification.

Q. DOES THE STATUTE OR THE PUC'S RULES DEFINE THE TERM "PROPERTY"?

A. I cannot find that the word "property" is defined in Texas Water Code Chapter 13, Texas Property Code Chapter 21, or the PUC rules.

Q. DOES THE STATUTE OR THE PUC'S RULES DEFINE THE TERMS "USELESS" AND "VALUELESS"?

A. No. Again, neither the Texas Water Code Chapter 13, nor Texas Property Code Chapter 21, nor the PUC's rules define the terms "useless" or "valueless".

Q. FOR THE PURPOSES OF YOUR TESTIMONY, HOW DO YOU DEFINE "PROPERTY"?

A. For the purpose of my testimony, I defined property as an asset that is owned by an individual or corporation. This can include tangible items, like real estate or equipment, and intangible items, like loans, notes, expenses, contracts, and other elements used in normal day-to-day operations of a water utility.

Q. ARE EXPENSES INCURRED BY THE DECERTIFIED RETAIL PUBLIC UTILITY "PROPERTY"?

A. Yes. Expenses incurred by the decertified retail public utility related to operation and maintenance, funding, and recapitalization of the stranded capacity of assets are considered property.

Q. FOR THE PURPOSES OF YOUR TESTIMONY, HOW DO YOU DEFINE "USELESS" AND "VALUELESS?"

A. For the purposes of my testimony with respect to a water utility, I defined "useless" and "valueless" as assets owned by a utility which become stranded or of no beneficial use due to age, change in purpose, or changes in service area.

V. DEVELOPMENT OF THE PARK PROPERTY

Q. WHO PREPARED THE PRELIMINARY SUBDIVISION AND UTILITY PLAN SHOWN ON EXHIBIT DGR-2?

A. The preliminary subdivision utility plan shown on Exhibit DGR-2 was prepared by Welch Engineering, Inc., North Richland Hills, Texas, on behalf of SKJ Lawson Farms Development, L.P.

Q. DID YOU PREPARE THE GREEN HATCHED AREA THAT REPRESENTS THE PARK PROPERTY ON EXHIBIT DGR-2?

A. No. The green hatched area representing the Park Property was prepared by Childress Engineers, Inc., Cleburne, Texas.

Q. MR. RAUSCHUBER HAVE YOU VERIFIED THE INFORMATION PRESENTED IN EXHIBIT DGR-2 WITH REGARDS TO ACCURACY OF THE INFORMATION PRESENTED?

A. Yes. After reviewing platting and utility maps associated with the Lawson Farms Subdivision and the Park Property, and the information presented on Exhibit DGR-2, I have verified that the information presented on this Exhibit accurately represents the matters presented.

Mountain Peak SUD offers Exhibit DGR-2.

Q. WAS THE PARK PROPERTY LOCATED WITHIN A PLANNED SUBDIVISION LOCATED WITHIN THE MOUNTAIN PEAK SUD WATER CCN 10908?

A. Yes. The Park Property was located within the Lawson Farms Subdivision, as shown in Exhibit DGR-2 and in Exhibit DGR-3. Lawson Farms Subdivision was entirely located within the Mountain Peak SUD water CCN No. 10908 prior to the expedited withdrawal of the Park Property by Midlothian.

Q. MR. RAUSCHUBER WHAT IS THE DIFFERENCE BETWEEN EXHIBIT DGR-2 AND EXHIBIT DGR-3?

A. Exhibit DGR-2 and Exhibit DGR-3 have the same base map information. However, on Exhibit DGR-3, I have indicated the number of single family housing units or single family unit equivalents for each of the Lawson Farms Subdivision blocks and/or sections.

Q. DID YOU PREPARE EXHIBIT DGR-3?

A. Yes.

Q. WHAT IS A SINGLE-FAMILY UNIT EQUIVALENT?

A. A single-family unit equivalent represents the amount of water use typically associated with a single-family house. With regards to the Lawson Farms Subdivision shown on Exhibit DGR-3, each single-family platted lot represents one-single family unit equivalent. For areas platted as commercial, elementary school, and open space/park land uses, I assigned single-family unit equivalents typically associated with the land area for each land use shown on the preliminary plan. Of course, my analysis represents an estimate of single-family unit equivalents based on the preliminary plan. Actual single-family unit equivalents associated with the Lawson Farms Development can only be determined based on actual constructed land uses on each land use category shown on Exhibit DGR-3.

Q. MR. RAUSCHUBER, BASED ON YOUR CALCULATIONS, WHAT IS THE TOTAL NUMBER OF SINGLE FAMILY UNIT EQUIVALENTS LOCATED WITHIN THE ORIGINAL LAWSON FARMS SUBDIVISION PRIOR TO THE DECERTIFICATION OF THE PARK PROPERTY AS RESULT OF PUC DOCKET NO. 44394?

A. I estimate that there was a total of 829 single-family unit equivalents located within the Lawson Farms Subdivision prior to decertification of the Park Property.

Q. HOW MANY SINGLE-FAMILY UNIT EQUIVALENTS ARE ASSOCIATED WITH THE PARK PROPERTY FOOTPRINT SHOWN ON EXHIBIT DGR-3, AS OVERLAID ON THE ORIGINAL LAWSON FARMS SUBDIVISION?

A. I estimated that the Lawson Farms Subdivision would have had 261 single-family unit equivalents associated with the Park Property footprint overlay.

Mountain Peak SUD offers Exhibit DGR-3.

Q. WHAT PERCENTAGE IS 261 SINGLE-FAMILY UNIT EQUIVALENTS ASSOCIATED WITH THE PARK PROPERTY FOOTPRINT COMPARED TO THE TOTAL NUMBER OF SINGLE-FAMILY UNIT EQUIVALENTS ASSOCIATED WITH THE LAWSON FARMS SUBDIVISION DEVELOPMENT PRIOR TO DECERTIFICATION OF THE PARK PROPERTY?

A. The number of single-family unit equivalents associated with the Park Property footprint represents 31.5 percent (calculated as 261 / 829 times 100) of the total number of Lawson Farms Subdivision single-family unit equivalents prior to decertification of the Park Property.

Q. DID MOUNTAIN PEAK SUD HAVE A WATER SERVICE COMMITMENT TO THE LAWSON PROPERTY?

A. Yes. In fact, historically, Mountain Peak SUD has had discussions with two developers regarding development of the 290-acres of land associated with the Lawson Farms Subdivision.

Q. PLEASE DESCRIBE THESE PROPOSED DEVELOPMENTS.

A. The first proposed development was with the Herzog Development Corporation (Herzog), a land development company and a potential purchaser/developer of the Lawson Property. A water service commitment contract was drafted, but never signed between Herzog and Mountain Peak SUD. Herzog intended to develop the Lawson Property for high-density residential development.

After the proposed development with Herzog did not come to fruition, Mountain Peak SUD was approached by SKJ Lawson Farms Development, L.P. regarding development of the Lawson Property for residential use. Again, the Lawson Property was anticipated for high-density residential development. As shown in Exhibit RK-2, on May 19, 2004,

Mountain Peak SUD and SKJ Lawson Farms Development, L.P. entered a Non-Standard Service Application and Agreement for the development of the Lawson Property.

VI. MOUNTAIN PEAK SUD WATER SYSTEM

Q. AS TO THE FOLLOWING QUESTIONS, CAN YOU PLEASE PROVIDE ANSWERS THAT ARE AS OF THE DATE OF DECERTIFICATION OF THE PARK PROPERTY, WHICH OCCURRED BY ORDER OF THE PUC DATED MAY 1, 2015?

A. Yes, I will, except as otherwise noted in my testimony.

Q. IN YOUR REVIEW OF MOUNTAIN PEAK SUD'S WATER SYSTEM FACILITIES, HAVE YOU DETERMINED HOW MANY PRIMARY WATER PRESSURE ZONES THE DISTRICT OPERATES?

A. Yes, Mountain Peak SUD has three (3) primary pressure zones, as shown in Exhibit DGR-4. These zones are referenced based upon their nominal elevations, and I will refer to them as 1) the upper pressure zone, 2) the middle pressure zone, and 3) the lower pressure zone.

Q. DID YOU PREPARE EXHIBIT DGR-4?

A. Yes. I used as a base map a CCN map provided by Mountain Peak SUD. I compared that CCN map with the PUC's CCN-viewer to confirm its accuracy. I then overlaid the CCN map with a pressure zone map provided by Mountain Peak SUD.

Q. IS EXHIBIT DGR-4 A TRUE AND ACCURATE REPRESENTATION OF MOUNTAIN PEAK SUD'S PRESSURE ZONES?

A. Yes.

Q. IS EXHIBIT DGR-4 TO SCALE?

A. Yes.

Mountain Peak SUD offers Exhibit DGR-4.

Q. WHAT IS A PRESSURE ZONE?

A. From a water utility standpoint, a pressure zone is an area of service supplied by a source or several sources of water that provides a constant hydraulic gradient. Typically, the hydraulic gradient is provided by the high-water level of an elevated storage tank or a hydropneumatic tank serving the pressure zone.

Q. WHAT ARE MOUNTAIN PEAK SUD'S PRIMARY WATER SUPPLY SOURCES FOR THESE THREE PRESSURE ZONES?

A. Under normal operating conditions:

1. Mountain Peak SUD's retail water customers located in its upper pressure zone, as shown in Exhibit DGR-4, are supplied water solely by groundwater resources via seven (7) District-owned wells.

2. Mountain Peak SUD's retail water customers located in its middle pressure zone are solely supplied water purchased by the District from the City of Midlothian under that certain wholesale Water Purchase Contract shown in Exhibit RK-5.

3. Mountain Peak SUD's retail water customers located in its lower pressure zone are solely supplied groundwater from one (1) well located near Maypearl, Texas.

Q. UNDER EMERGENCY OPERATING CONDITIONS CAN MOUNTAIN PEAK SUD TRANSFER WATER FROM ITS UPPER PRESSURE TO ITS MID AND LOWER PRESSURE ZONES?

A. Yes. Under emergency operating conditions, Mountain Peak SUD can transfer water by opening pressure reducing-isolation valves to transfer water from its upper pressure zone to its middle pressure zone and from its middle pressure zone to its lower pressure zone,

but not visa-versa. In other words, Mountain Peak SUD does not have the capability or supply to pump or transfer water from its middle or lower pressure zones to higher pressure zones. It should be noted that under the Mountain Peak SUD – Midlothian Water Supply Agreement, Mountain Peak SUD has the capability, during emergency operating conditions, to transfer wholesale water supplied by the City of Midlothian into its upper pressure zone via Mountain Peak SUD's 1,000,000-gallon ground storage tank located at Water Plant No. 8. However, this water must be pumped to the District's upper pressure zone and only can be used during emergency operating conditions due the difference in the water disinfection methods used by Mountain Peak SUD and the City of Midlothian.

Q. HOW MANY RETAIL WATER CUSTOMERS DOES MOUNTAIN PEAK SUD CURRENTLY SERVE?

A. As of May 1, 2015, Mountain Peak SUD provided retail water service to 4,050 customers located in all three (3) water pressure zones.

Q. HOW MANY WATER CUSTOMERS WERE LOCATED IN THE UPPER PRESSURE ZONE?

A. As of May 1, 2015, the upper pressure zone contained 70% of Mountain Peak SUD's total customers, or approximately 2,835 customers.

Q. IN WHICH PRESSURE ZONE IS THE PARK PROPERTY LOCATED?

A. The Park Property is in Mountain Peak SUD's upper pressure zone.

VII. PROPERTY RENDERED USELESS OR VALUELESS

A. Facilities, real property, and facilities located on the Park Property

Q. WHAT MAJOR WATER FACILITIES DOES MOUNTAIN PEAK SUD OWN AND OPERATE IN THE UPPER PRESSURE ZONE?

A. As of May 1, 2015, Mountain Peak SUD owned and operated major water improvements, located in its upper pressure zone. These improvements include water production,

treatment, storage and pumping facilities located at five (5) major water plants, off-site water transmission facilities associated with the Park Property, 2.06-acre tract of land, and other "soft" cost improvements associated with the Park Property. All these improvements are itemized in Exhibit DGR-5.

Q. DID YOU PREPARE EXHIBIT DGR-5?

A. Yes.

Q. ON MAY 1, 2015, DID MPSUD HAVE THE ABILITY TO PROVIDE WATER SERVICE TO THE PARK PROPERTY, USING ITS EXISTING WATER FACILITIES?

A. Yes. All MPSUD's major water facilities listed on Exhibit DGR-5 were used and useful to the Park Property.

Q. DOES MOUNTAIN PEAK SUD HAVE EXISTING WATER SYSTEM FACILITIES WHICH HAVE BEEN RENDERED USELESS OR VALUELESS AS A RESULT OF THE DECERTIFICATION OF THE PARK PROPERTY?

A. Yes. As of May 1, 2015, Mountain Peak SUD had existing water improvements located in its upper pressure zone that were rendered useless and valueless, at least in part, to Mountain Peak SUD because of decertification of the Park Property. These facilities include: 1) groundwater wells and pumping capacity; 2) ground and elevated storage capacity; and 3) high service pumping capacity. These existing improvements are shown in Exhibit DGR-5, along with the projected percentage that represents the portion of each improvement that is rendered useless and valueless to Mountain Peak SUD.

Q. BASED ON THE WATER SERVICE DEMAND THAT YOU DETERMINED, WERE YOU ABLE TO QUANTIFY THE PERCENTAGE OF MOUNTAIN PEAK SUD'S GROUNDWATER SUPPLY FACILITIES WHICH HAVE BEEN RENDERED USELESS OR VALUELESS AS A RESULT OF THE DECERTIFICATION OF THE PARK PROPERTY?

A. Yes. Mountain Peak SUD had 7 groundwater wells in its upper pressure zone (see Exhibit DGR-5) that were used and useful to the Park Property as of May 1, 2015. These wells have a combined pumping capacity of 2,500 gpm. At 0.6 gallons per minute per connection, these wells could have supplied water to 4,167 water connections (calculated as 2,500 gpm divided by 0.6 gpm per connection). Based on this, I estimate that 6.3-percent (calculated as 261 single family equivalent water connections in the Park Property divided by 4,167 water connections well supply capacity times 100 for percent) of Mountain Peak SUD's groundwater supply capacity has been rendered useless or valueless as a result of the decertification of the Park Property.

Q. WITH REGARDS TO GROUND AND ELEVATED STORAGE CAPACITY, WHAT PORTION OF THESE FACILITIES HAS BEEN RENDERED USELESS OR VALUELESS AS A RESULT OF THE DECERTIFICATION OF THE PARK PROPERTY?

A. With regards to combined ground and elevated storage requirements, 30 TAC § 290.54(D) requires that a public water purveyor must maintain a total combined (i.e., ground storage and elevated storage) storage capacity of 200 gallons per connection. As of May 1, 2015, Mountain Peak SUD had 3,720,000 gallons of combined ground and elevated storage capacity in the upper pressure zone. Based on a TCEQ requirement of 200 gallons per connection combined storage requirement, the Park Property requires 52,500 gallons (calculated as 200 gallons per connection times 261 connections associated with the Park Property) of combined storage. As such, 1.4-percent (calculated as 52,500 gallons required storage capacity for the Park Property divided by 3,720,000 gallons times 100 for percent) of Mountain Peak SUD's combined storage capacity was rendered useless and valueless on May 1, 2015, with the decertification of the Park Property.

Q. WITH REGARDS TO HIGH SERVICE PUMP CAPACITY, WHAT PORTION OF THESE FACILITIES HAS BEEN RENDERED USELESS OR VALUELESS AS A RESULT OF THE DECERTIFICATION OF THE PARK PROPERTY?

A. With regards to high service pump capacity, 30 TAC § 290.54(D) requires that a public water purveyor must maintain two or more pumps that have a total capacity of 2.0 gpm per connection or that have a total capacity of at least 1,000 gpm and the ability to meet peak hourly demands with the largest pump out of service, whichever is less, at each pump station or pressure plane.

As shown on Exhibit DGR-5, Mountain Peak SUD has a combined high service pumping capacity of 4,400 gpm in the upper pressure zone. Using the TCEQ requirement of 2.0 gpm per connection and 261 single family equivalent service connection associated with the Park Property, the Park Property would have required 522 gpm (calculated as 2.0 gpm time 261 connections) of high service pumping capacity. As such, 11.8-percent (calculated as 522 gpm high service pumping capacity required for the Park Property divided by 4,400 gpm Mountain Peak SUD pumping capacity times 100 for percent) was rendered useless and valueless on May 1, 2015, with the decertification of the Park Property.

Q. WHAT COSTS ARE ASSOCIATED WITH MOUNTAIN PEAK SUD'S GROUNDWATER SUPPLY, WATER STORAGE AND HIGH SERVICE PUMP CAPACITIES STRANDED BY DECERTIFICATION OF THE PARK PROPERTY?

A. Stranded Mountain Peak SUD costs associated with its groundwater supply, water storage, and high service pump capacities include all of Mountain Peak SUD's capital and debt service costs and facilities appurtenances costs (e.g., yard piping, site improvement and soft costs). Debt service costs associated with financing capital improvements can be significant, and Mountain Peak SUD's debt service costs along with projects cash-funded by Mountain Peak SUD should be reimbursed by the City of Midlothian.

Q. DOES THE DISTRICT HAVE OTHER STRANDED ASSETS AND/OR COSTS WHICH HAVE BEEN RENDERED USELESS OR VALUELESS DUE TO THE DECERTIFICATION OF THE PARK PROPERTY?

A. Yes.

Q. WHAT ARE THESE OTHER STRANDED ASSETS AND/OR COSTS?

A. Other stranded assets and costs include, but are not limited to, the following items that are also shown on Exhibit DGR-5:

1. Mountain Peak SUD's 2.06-Acre Tract – In March 2005, the District purchased a 2.06-acre tract of land from SKJ Lawson Farms Development, L.P. as evidenced by Exhibit RK-4. This tract, located on Ashford Lane, is directly adjacent to the Park Property. Mountain Peak SUD purchased this tract intending to drill a future public water supply well and for constructing needed water transmission improvements, including a pump station, to provide potable water to the Lawson Farms Subdivision, including the Park Property, and other Mountain Peak SUD customers. With Midlothian's decertification of the Park Property, (1) the original need (i.e., to drill a public water supply well and construct water transmission facilities) for the 2.06-acre tract no longer exists and (2) the value of the 2.06-acre to the District is diminished. I estimate that the decertification of the Park Property stranded 50-percent of value of the 2.06-acre tract to Mountain Peak SUD.

2. Loop System – There were planned water infrastructure improvements (i.e., two (2) north-south 8-inch diameter water mains and appurtenances) located within the Park Property footprint. The intent was to connect this infrastructure to Mountain Peak SUD's existing 6" waterline located along the southern edge of the Park Property to create a loop in Mountain Peak SUD's water system. The loss of the District's use of these planned water infrastructure improvements diminishes its ability to supply water to the remaining portion of the Lawson Farms Subdivision and to other Mountain Peak SUD water customers.

Since the Park Property and associated loop lines will not be constructed, Mountain Peak SUD will need to construct a loop at its own expense.

3. 6" waterline on Park Property – Mountain Peak SUD owns and operates a 6-inch diameter water transmission line that extends along and parallel to Ashford Lane, as shown on Exhibit DGR-3. This 6-inch water line, having a length of 3,244 linear feet, serves a few Mountain Peak SUD water customers located in an isolated area east of the Park Property and, as such, has excess capacity to the serve the Park Property/Lawson Property. With the decertification of the Park Property, the excess capacity of Mountain Peak SUD's 6-inch diameter water line has become stranded and useless and valueless to the District. I estimate that the excess capacity of this 6-inch water line to be at 50-percent.

4. FM 663 Water Line Improvement (2005) Project – This Project entailed the design and construction of an "off-site" 12-inch diameter water main to service the Lawson Farms Subdivision, including the Park Property. Based on a water demand associated with the Park Property of 225,504 gallons per day (calculated as 261 single family equivalent units times 0.6 gpm per day times 1,440 minutes per day (the "Demand")) and a 12-inch diameter pipe flow capacity of 2,537,900 gallons per day (calculated as 0.5 feet radius piped squared times 3.1415 times 5 feet per second water flow rate times 7.48 gallons per cubic foot of water times 60 seconds per minute times 1,440 minutes per day (the "Pipe Capacity")), I estimate the stranded capacity of the FM 663 Water Line Improvement Project to be 8.9-percent (calculated as the Demand divided the Pipe Capacity times 100 for percent).

5. Childress Engineering Costs Associated with the Expedited Release of the Park Property – Prior to May 1, 2015, Mountain Peak SUD commissioned Childress Engineering to design and to oversee the construction of Mountain Peak SUD's upper pressure zone water improvements that were used and useful to the Lawson Farms Subdivision, including the Park Property. As shown in Exhibit DGR-5, Childress Engineering costs associated with these projects totaled $318,840. I estimate that 7.1-percent (calculated as the average of MPSUD's stranded facilities percentage associated with its groundwater supply (6.3%), combined storage (1.4%), high service pumping capacity (11.8%) and off-site line improvements (8.8%)) of Childress Engineering costs are stranded due to the decertification of the Park Property.

6. Facilities Construction Costs – Prior to May 1, 2015, Mountain Peak SUD retained Circle H Construction LLC, Odessa, Texas, Lamarc, Inc. General Contractors, Seven Points, Texas, ONCOR Electric, Dallas, Texas, and J. L. Meyers Well Drilling Company, Terrell, Texas to construct numerous water facility improvements in the upper pressure zone that were used and useful to the Lawson Farms Subdivision and the Park Property. As shown on Exhibit DGR-5, the combined construction costs of these improvements totaled approximately $2,293,670. I estimate that 7.1-percent, as calculated above, of Mountain Peak SUD's facilities' construction costs associated with the improvements shown on Exhibit DGR-5 are stranded due to the decertification of the Park Property.

7. Miller, Mentzer and Walker, LLP – The law firm of Miller, Mentzer and Walker, LLP (MMW), is General Counsel for Mountain Peak SUD. This law firm provided legal advice to Mountain Peak SUD regarding the City of Midlothian's

streamlined expedited release petition to the PUC. I recommend that 100-percent of these costs be reimbursed by the City of Midlothian to Mountain Peak SUD.

8. Jackson Walker, LLP – The law firm of Jackson Walker, LLP (JW) provides special counsel services to Mountain Peak SUD related to the decertification of the Park Property. I recommend that 100-percent of these costs be reimbursed by the City of Midlothian to Mountain Peak SUD.

9. Donald G. Rauschuber & Associates, Inc. (DGRA) – As I previously testified, DGRA, Inc., was retained by Mountain Peak SUD to provide professional engineering and asset valuation services regarding the City of Midlothian's streamlined expedited release of the Park Property. I recommend that 100-percent of these cost be reimbursed by the City of Midlothian to Mountain Peak SUD.

Q. DID YOU PREPARE EXHIBIT DGR-5?

A. Yes.

Q. DOES EXHIBIT DGR-5 FAIRLY AND ACCURATELY REPRESENT THE EXTENT TO WHICH MOUNTAIN PEAK SUD'S PROPERTY HAS BEEN RENDERED USELESS OR VALUELESS AS A RESULT OF THE DECERTIFICATION OF THE PARK PROPERTY?

A. Yes. However, it is a preliminary estimate and may be modified during the second phase of this proceeding.

Mountain Peak SUD offers Exhibit DGR-5.

Q. CAN MOUNTAIN PEAK SUD SIMPLY RECOVER USE OF THE LOST WATER SYSTEM FACILITY CAPACITY, WHICH HAS BEEN RENDERED USELESS OR VALUELESS AS A RESULT OF THE DECERTIFICATION OF THE PARK

PROPERTY, BY USING IT TO SERVE OTHER DEVELOPMENT WHICH MAY OCCUR WITHIN THE UPPER PRESSURE ZONE?

A. No. It is unreasonable to assume that the lost capacity is recovered by a utility when the next customers are added to the utility's water system. Rather, the stranded capacity remains stranded until a water system component is fully utilized due to growth. In other words, recovery of any loss of capacity would only occur at the end of the useful life or regulatory life of a facility. In the interim period, this stranded capacity is a cost to the utility for which compensation must be paid; otherwise, it becomes a burden on the utility's existing customers.

In this case, the loss of the Park Property stranded 261 service connections. The capacity in Mountain Peak SUD's facilities associated with those 261 connections remains stranded until growth in the immediate area or pressure zone fully utilizes the capacity of the affected facilities. For example, Mountain Peak SUD's constructed ground and elevated storage facilities can serve 18,600 customers (calculated as the product of 3,720,000 gallons of combined ground and elevated storage divided by a TCEQ required storage of 200 gallons per connection). The loss of the Park Property stranded 52,200 gallons (261 connections of service times 200 gallons per connection) of storage capacity. This capacity is stranded until Mountain Peak SUD's customer base grows to 18,339 customers (i.e., 18,600 customers – 261 customers), which may not occur during the useful life or regulatory life of the facility. As such, the capacity will be stranded forever.

Q. WHY IS IT UNREASONABLE?

A. The growth outside of the Park Property will occur regardless of the decertification of the Park Property. Customer growth within the Park Property to the benefit of Mountain Peak SUD's customers is lost forever due to the decertification. The City of Midlothian should not receive a "credit" for growth occurring outside of the Park Property until the "back-end" of the used and useful life of a water facility.

Q. IS THE LOST WATER SYSTEM FACILITY CAPACITY, WHICH HAS BEEN RENDERED USELESS OR VALUELESS AS A RESULT OF THE DECERTIFICATION OF THE PARK PROPERTY, TEMPORARILY LOST OR IS IT A PERMANENT LOSS?

A. It depends, as explained above, on the useful life or regulatory life of the facility. In any event, whether it is a temporary or permanent loss of capacity, the utility should be compensated.

Q. IN YOUR OPINION, WHAT IS THE PURPOSE OF THE COMPENSATION PROCESS?

A. The purpose of the compensation process is ensure that the retail public utility whose CCN area has decreased, due to a TWC § 13.254(a-1) or TWC 13.254(a-5) decertification, receives fair and reasonable compensation for any and all of its property and assets that are rendered useless and valueless as a result of the decertification.

Q. IN YOUR OPINION, IF COMPENSATION WERE NOT PROVIDED BY THE NEW RETAIL PUBLIC UTILITY, HOW WOULD IT IMPACT THE MOUNTAIN PEAK SUD?

A. Mountain Peak SUD could be impacted as follows:

1. The District would have stranded water assets that are no longer used and useful to their customers or to the District's operation;

2. The District's customers would have to pay higher interest and debt service costs on future bond issues due to the higher risks associated with recovering the cost of investments in water facilities and supply arising from uncompensated decertification of CCN areas;

3. The District's customers would have to pay more in water rates to pay capital costs associated of the stranded assets and, possibly, pay more in operation and maintenance costs to maintain the stranded assets; and

4. Mountain Peak SUD's CCN would be devalued since it no longer has an exclusive right to provide retail water or sewer service to a defined area even if the utility is in total compliance with all state and federal regulations.

5. The implementation of TWC § 13.254(a-5) has created uncertainty for CCN holders, like Mountain Peak SUD. Decertification without adequate compensation results in the impairment, if not destruction, of Mountain Peak SUD's ability to plan for future growth since Mountain Peak SUD will no longer be able to rely upon its CCN as the area for which it will provide water service. If its CCN area can be unilaterally, and randomly, removed without compensation for the District's investments, Mountain Peak SUD will not be able to make those investments.

VIII. CONCLUSION

Q. WAS THIS TESTIMONY, AND YOUR EXHIBITS, PREPARED BY YOU, OR UNDER YOUR SUPERVISION AND CONTROL?

A. Yes.

Q. ARE THE STATEMENTS IN THIS TESTIMONY TRUE AND CORRECT TO THE BEST OF YOUR KNOWLEDGE, INFORMATION AND BELIEF?

A. Yes.

Q. IF YOU WERE TESTIFYING LIVE, UNDER OATH, TODAY, WOULD YOU PROVIDE THE SAME ANSWERS TO THE QUESTIONS, AS YOU HAVE STATED IN THIS TESTIMONY?

A. Yes.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes. However, I reserve the right to amend or supplement my testimony, if necessary.

RESUME
DONALD G. RAUSCHUBER, P.E.
Austin, Texas

EDUCATION:

B.S., Civil Engineering, Texas Tech University, 1970
M.S., Civil Engineering, Texas Tech University, 1972

PROFESSIONAL REGISTRATION:

Professional Engineer, Texas

EMPLOYMENT HISTORY:

1981-Present Donald G. Rauschuber and Assoc., Inc., Austin, Texas. President/Owner.

Performed professional engineering studies and projects located throughout Texas (see full resume).

Represented hundreds of public and private sector clients.

Oversaw and coordinated design and construction projects totaling over hundreds of millions of dollars (ref. water and wastewater treatment).

Qualified expert witness in surface and ground water resources, water and wastewater rates and CCN matters before state administrative agencies, district courts, and federal courts

2013-2016 West Travis County Public Utility Agency, Austin, Texas, General Manager

As part of a project team, created a Chapter 572 Public Utility Agency. Within a 61-day period organized and built a full service water and wastewater retail/wholesale public water utility that provides services to 30,000 people in western Travis and northern Hays Counties. Commencing with a $0 budget, the WTCPUA is a viable-stable public water and sewer utility serving over 30,000 people with an annual budget of over $20 million and assets worth over $200,000,000.

2001-2009 Chisholm Trail Special Utility District, Florence, Texas

District Engineer and General Manager – 2001 – 2009

Oversaw all water and wastewater operations

Grew organization from 2,000 water customers to over 6,000 water and sewer customers with an 18 person staff.

28

1979-1981 Henningson, Durham and Richardson, Inc., Austin, Texas.

Assistant Vice President, Director of Water Resources Programs, and Manager of Austin, Texas Office.

Grew HDR Texas Water and WW Operations to multi-million dollar per year enterprise.

1977-1979 Henningson, Durham and Richardson, Inc., Austin, Texas.

Manager and Water Resources Consultant.

Grew Texas Water Resources market from $0 to millions/year
1977 Director of Texas Water Resources Programs - Opened HDR Office in Austin, Texas

1976-1977 Texas Water Development Board, Austin, Texas.

Assistant Director Environmental Division.

Co-author of 1975 Texas Water Plan

Conducted and directed surface and groundwater studies in all 23 Texas River/Coastal Basins and all major/minor aquifer systems.

1975-1976 Texas Water Development Board, Austin, Texas. Engineer II

Conducted and directed surface and groundwater studies in all 23 Texas River/Coastal Basins and all major/minor aquifer systems.

Continued studies of freshwater inflow requirements and instream flow needs.

1973-1975 Texas Water Development Board, Austin, Texas. Hydrologist I.

Continued studies of freshwater inflow requirements and instream flow needs.

Conducted major hydrological studies on Choke Canyon Reservoir, Lake Texana, Wright Patman Reservoir,

1971-1973 Texas Water Development Board, Austin, Texas. Engineering Assistant.

Conducted Research and Develop Policies pertaining to freshwater inflow requirements to Texas Bay and Estuarine Systems – Under Jack Nelson, Seth Burnett, and Lew Seward, P.E.

1970-1971 Texas Tech University, Lubbock, Texas. Research Assistant.

BSCE 1970

MSCE with Water Resources Major

Research Assistant under Dr. Dan Wells – Cattle Feedlot Runoff

HONORS:

Tau Beta Pi Advisor:	Civil Engineering Department, Texas Tech University
Recipient:	U.S. Environmental Protection Agency Environmental Excellence Award w/Barton Springs/Edwards Aquifer Conservation District
Recipient:	Barton Springs/Edwards Aquifer Conservation District - Ground Water Conservation Award
Recipient:	American Planning Association - Project Planning Award w/Barton Springs/Edwards Aquifer Conservation District
Recipient:	Manager Of The Year Award – Texas Rural Water Association
Civil Engr. Academy:	Texas Tech University

DONALD G. RAUSCHUBER, P.E.
EXPERIENCE IN WATER AND WASTEWATER SYSTEM APPRAISALS/VALUATIONS, WATER AND WASTEWATER RATES, CCNs, AND ENFORCEMENT MATTERS

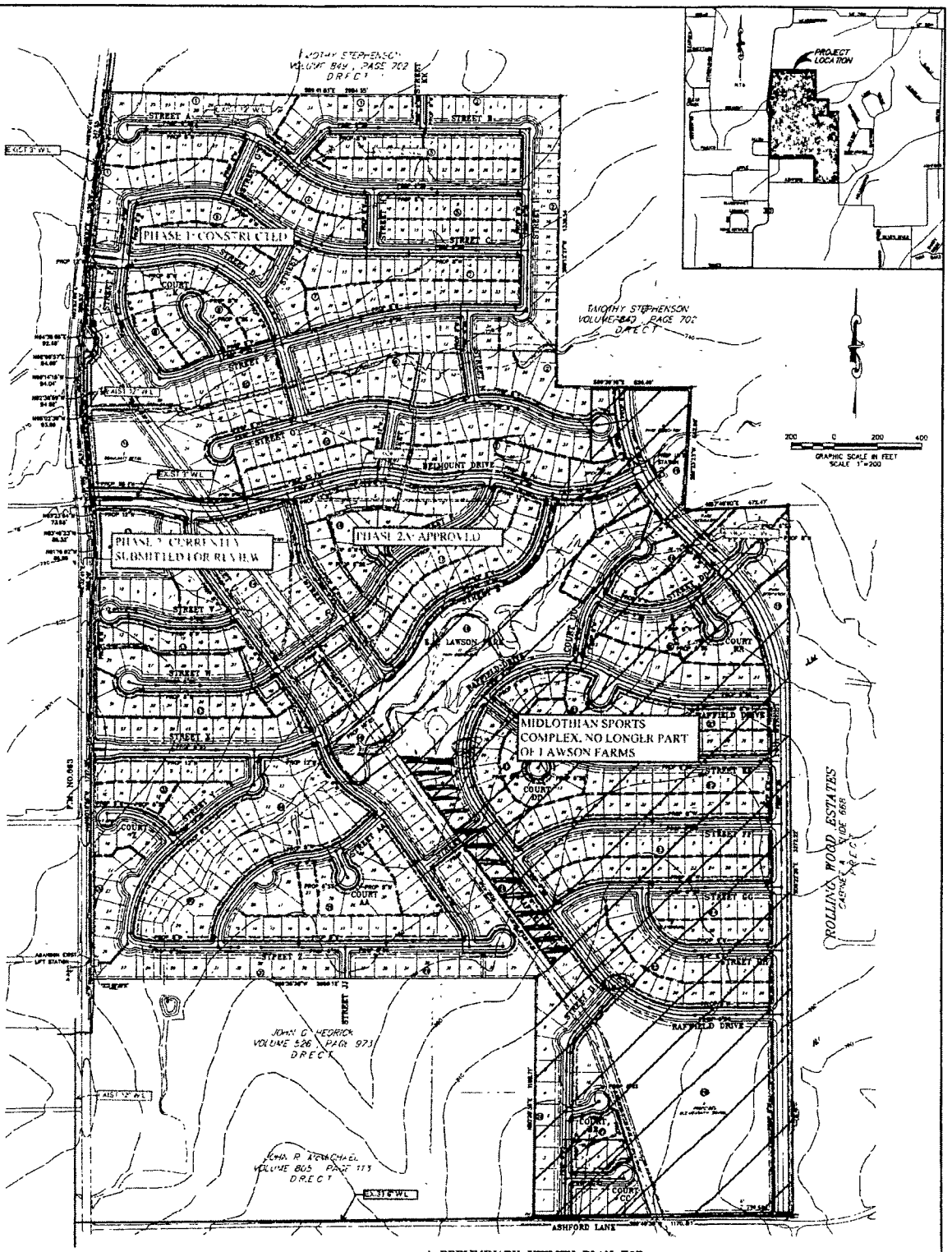
WATER AND WASTWATER SYSTEM APPRAISALS/VALUATIONS

Zipp Road Utility, New Braunfels
Blackland W.S.C., Royce City, Texas
Cameron Park, Cameron County/Military Highway W.S.C.,/PUB Brownsville, Texas
Carma Properties/Creekmoor Maha WSC, Buda, Texas
City of Kaufman, Texas/Kaufman County WSC
City of Waco, Texas/Harris Creek W.S.C., Waco, Texas
City of Winters, Texas/Runnels County WSC
County Ridge Water System, Melissa, Texas (2 – projects)
Deer Creek Utility Company, Austin, Texas (2 – projects)
El Cenizo/Rio Bravo Water and Wastewater Systems, Laredo, Texas
El Paso County, Parkhill Smith & Cooper, TWDB, - 7 Water Systems El Paso County
Kerala Properties/BHP WSC, Royce City, Texas
Lake Travis I.S.D., Lakeway Texas/Travis County WCID No. 17
Lakeshore Utilities, Athens, Texas (2 – projects)
Meadow Glen MHP, Keller, Texas
Nehring - Weir and Walberg Water Systems, Williamson County, Texas
New Braunfels Utilities/Green Valley S.U.D., News Braunfels, Texas
Southwest Investment Group – Water System, Austin, Texas
Sweetwater Utilities (2 projects) – Neiderwald, Texas, and Manor, Texas
Valley MUD No. 2, Harlingen, Texas
Valley View Water System, Castroville, Texas

WATER AND WASTEWATER RATES, CCNs, AND ENFORCEMENT MATTERS

Barton Springs/Edwards Aquifer Conservation District, Austin, Texas
Brownsville PUB, Brownsville, Texas (3 projects)
Canyon Ridge Investment Company, Amarillo, Texas – Frank Byrd
Carroll Water Systems, Red Oak, Texas
Chisholm Trail S.U.D., Florence, Texas (3 projects)
City of Albany, Texas
City of Albany, Texas/Shackelford County Water Supply Corporation
City of Argyle, Texas (3 projects)
City of Argyle, Texas (4 projects)
City of Blossom, Texas
City of Bowie, Texas
City of Canyon, Texas
City of Corpus Christi, Texas (Lake Corpus Christi/Choke Canyon Reservoir)

City of Crowley, Texas
City of Electra, Texas (5 projects)
City of Electra, Texas (7 projects)
City of Fredericksburg, Texas
City of Garden Ridge, Texas (3 projects)
City of Gun Barrel, Texas
City of Hays, Texas (2 projects)
City of Hutchins, Texas
City of Irving, Texas (6 projects)
City of Killeen, Texas
City of Kingsville, Texas
City of Marlin, Texas
City of Mart, Texas
City of Pharr, Texas
City of San Antonio, Texas
City of Sunset Valley, Texas
City of Winters, Texas — North Runnels W.S.C.
City of Winters, Texas (3 projects)
Clayton Williams & Sherwood, Austin, Texas
Country Ridge Water Company, Melissa, Texas
Dallas County Park Cities MUD, Dallas, Texas (3 projects)
Decoty/Christoval Water Supply, San Angelo, Texas
Delana Hills/G&J Water Companies, Rollingwood Hills, Texas
Estates of Shady Hollow Water Company, Austin, Texas
Fox Crossing Water District, Mills County, Texas
Hills of Texas Homeowners Association/Kemp Hills W.S.C., Dripping Springs, Texas
Johnson County FWSD, Cleburne, Texas
Lakefork W.S.C., Yantis, Texas
Lakeshore Utility Co., Inc., Athens, Texas
Lavaca-Navidad River Authority, Edna, Texas
Palo Pinto County Water District, Mineral Wells, Texas
Patel, Columbus, Texas
Pecan Plantation, Hood County, Texas
Red Creek MUD, San Angelo, Texas
Sharyland W.S.C. - United Irrigation District, Mission, Texas
South Texas Water Authority, Kingsville, Texas
Sportsman World MUD, Lake Possum Kingdom, Texas
Travis County W.C.I.D. No. 14, Austin, Texas
Travis County W.C.I.D. No. 14, Austin, Texas – Village of Bee Cave, Texas
West Travis County Public Utility Agency, Austin, Texas



A PRELIMINARY UTILITY PLAN FOR

LOTS 1–39, BLOCK 1; LOTS 1–59, BLOCK 2; LOTS 1–28, BLOCK 3, LOTS 1–16, BLOCK 4, LOTS 1–20, BLOCK 5; LOTS 1–19, BLOCK 6; LOTS 1–34, BLOCK 7; LOTS 1–23, BLOCK 8, LOTS 1–22, BLOCK 9; LOTS 1–43, BLOCK 10; LOT 1, BLOCK 11; LOT 1, BLOCK 12, LOTS 1–54, BLOCK 13; LOTS 1–13, BLOCK 14, LOT 1, BLOCK 15, LOTS 1–21, BLOCK 16, LOTS 1–28, BLOCK 17, LOTS 1–40, BLOCK 18, LOTS 1–6, BLOCK 19, LOTS 1–23, BLOCK 20; LOTS 1–32, BLOCK 21, LOTS 1–40, BLOCK 22; LOTS 1–27, BLOCK 23; LOTS 1–13, BLOCK 24; LOTS 1–25, BLOCK 25, LOT 1, BLOCK 26, LOTS 1–12, BLOCK 27; LOTS 1–36, BLOCK 28; LOTS 1–29, BLOCK 29, LOTS 1–29, BLOCK 30; LOTS 1–36, BLOCK 31

LAWSON FARMS

AN ADDITION TO THE CITY OF MIDLOTHIAN, ELLIS COUNTY, TEXAS
AND BEING SITUATED IN THE MARTHA BRENAN SURVEY, ABSTRACT NO 43, THE J.M GARVIN SURVEY, ABSTRACT NO 424, THE J.M GARVIN SURVEY, ABSTRACT NO.424, THE M.T HAWKINS SURVEY, ABSTRACT NO. 463

JANUARY 2004 | 752 RESIDENTIAL LOTS, 2 COMMUNITY RETAIL LOTS, 13 OPEN SPACE LOTS, 3 PARK AREAS, 1 AVENITY CENTER LOT, 1 SCHOOL SITE | 290.131 ACRES

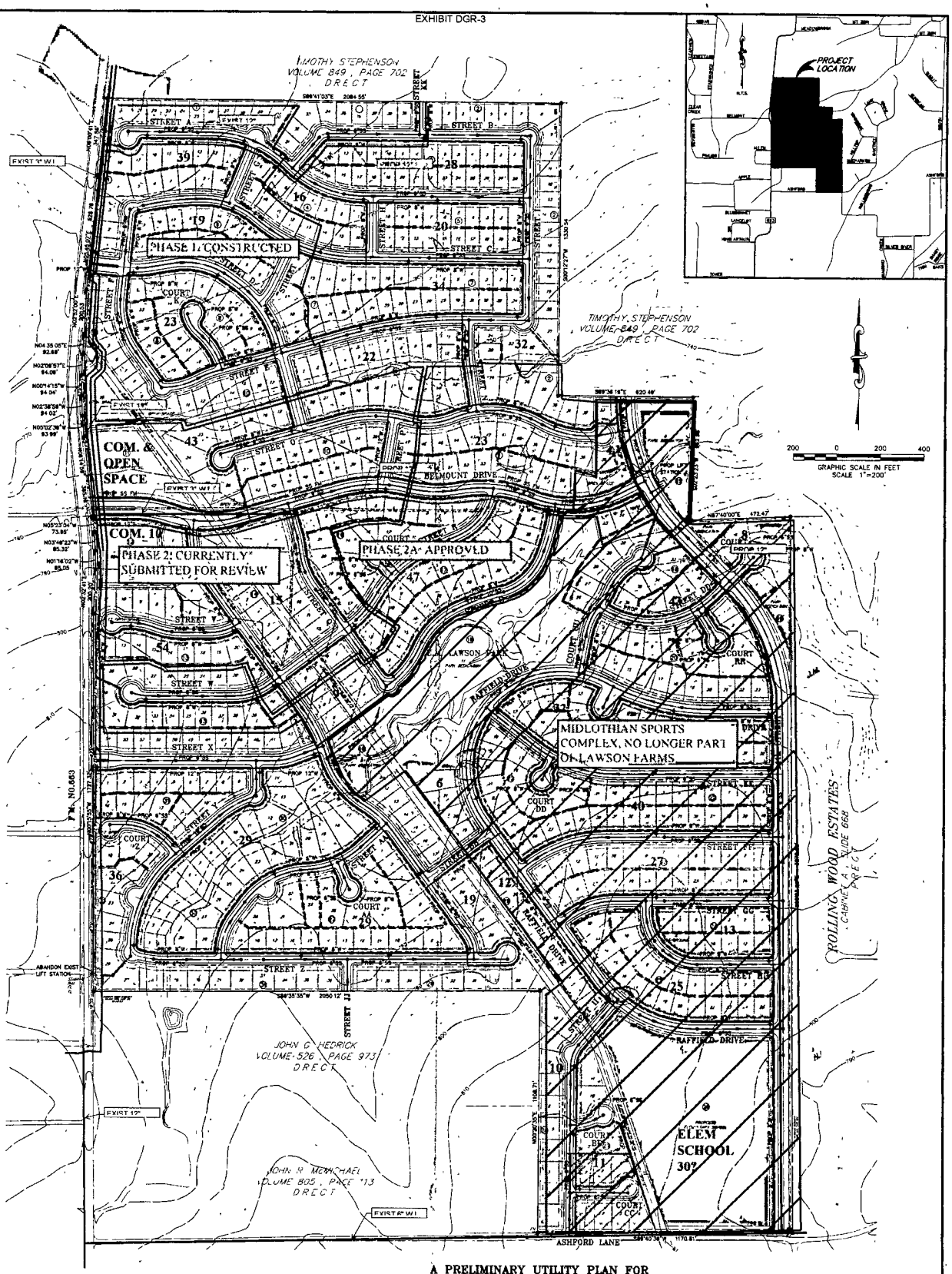
LEGEND

PROPOSED WATER LINE AND VALVE
PROPOSED FIRE HYDRANT
PROPOSED SEWER LINE WITH MANHOLE
PROPOSED SANITARY SEWER FORCE MAIN
EXISTING WATER LINE AND VALVE
EXISTING FIRE HYDRANT
EXISTING SEWER LINE WITH MANHOLE
EXISTING STORM SEWER AND INLET
EXISTING CONTOUR

OWNER/DEVELOPER
SKJ LAWSON FARMS DEVELOPMENT, LP
411 W 7th STREET, SUITE 1004
FORT WORTH, TEXAS 76102
(817) 877-0422
KIM GILL

ENGINEER
WELCH ENGINEERING, INC
4109 EAGLE DRIVE, SUITE D
NORTH RICHLAND HILLS, TEXAS 76180
(817) 589-2800
TIM WELCH

SURVEYOR
WHITFIELD-HALL SURVEYORS
3559 WILLIAMS ROAD, SUITE 107
FORT WORTH, TEXAS 76116
(817) 560-2916
JOHNNY WILLIAMS



A PRELIMINARY UTILITY PLAN FOR

LOTS 1–39, BLOCK 1, LOTS 1–59, BLOCK 2, LOTS 1–28, BLOCK 3; LOTS 1–16, BLOCK 4, LOTS 1–20, BLOCK 5; LOTS 1–19, BLOCK 6, LOTS 1–34, BLOCK 7; LOTS 1–23, BLOCK 8; LOTS 1–22, BLOCK 9; LOTS 1–43, BLOCK 10, LOT 1, BLOCK 11, LOT 1, BLOCK 12, LOTS 1–54, BLOCK 13, LOTS 1–13, BLOCK 14; LOT 1, BLOCK 15; LOTS 1–21, BLOCK 16; LOTS 1–26, BLOCK 17, LOTS 1–40, BLOCK 18; LOTS 1–8, BLOCK 19; LOTS 1–23, BLOCK 20; LOTS 1–32, BLOCK 21; LOTS 1–40, BLOCK 22; LOTS 1–27, BLOCK 23; LOTS 1–13, BLOCK 24; LOTS 1–25, BLOCK 25; LOT 1, BLOCK 26; LOTS 1–12, BLOCK 27, LOTS 1–36, BLOCK 28; LOTS 1–29, BLOCK 29; LOTS 1–29, BLOCK 30, LOTS 1–36, BLOCK 31

LAWSON FARMS

AN ADDITION TO THE CITY OF MIDLOTHIAN, ELLIS COUNTY, TEXAS
AND BEING SITUATED IN THE MARTHA BRENAN SURVEY, ABSTRACT NO 43, THE J.M. GARVIN SURVEY, ABSTRACT NO 424, THE J.M. GARVIN SURVEY, ABSTRACT NO.424, THE M.T. HAWKINS SURVEY, ABSTRACT NO 463

JANUARY 2004

752 RESIDENTIAL LOTS
2 COMMUNITY RETAIL LOTS
13 OPEN SPACE LOTS
3 PARK AREAS
1 AMENITY CENTER LOT
1 SCHOOL SITE

290.131 ACRES

LEGEND

- PROPOSED WATER LINE AND VALVE
- PROPOSED FIRE HYDRANT
- PROPOSED SEWER LINE WITH MANHOLE
- PROPOSED SANITARY SEWER FORCE MAIN
- EXISTING WATER LINE AND VALVE
- EXISTING FIRE HYDRANT
- EXISTING SEWER LINE WITH MANHOLE
- EXISTING STORM SEWER AND INLET
- EXISTING CONTOUR

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KIM GILL

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WELCH ENGINEERING, INC.
4109 CAGLE DRIVE, SUITE D
NORTH RICHLAND HILLS, TEXAS 76180
(817) 589-2900
TIM WELCH

SURVEYOR:
WHITFIELD-HALL SURVEYORS
3559 WILLIAMS ROAD, SUITE 107
FORT WORTH, TEXAS 76116
(817) 560-2916
JOHNNY WILLIAMS

MPSUD03985

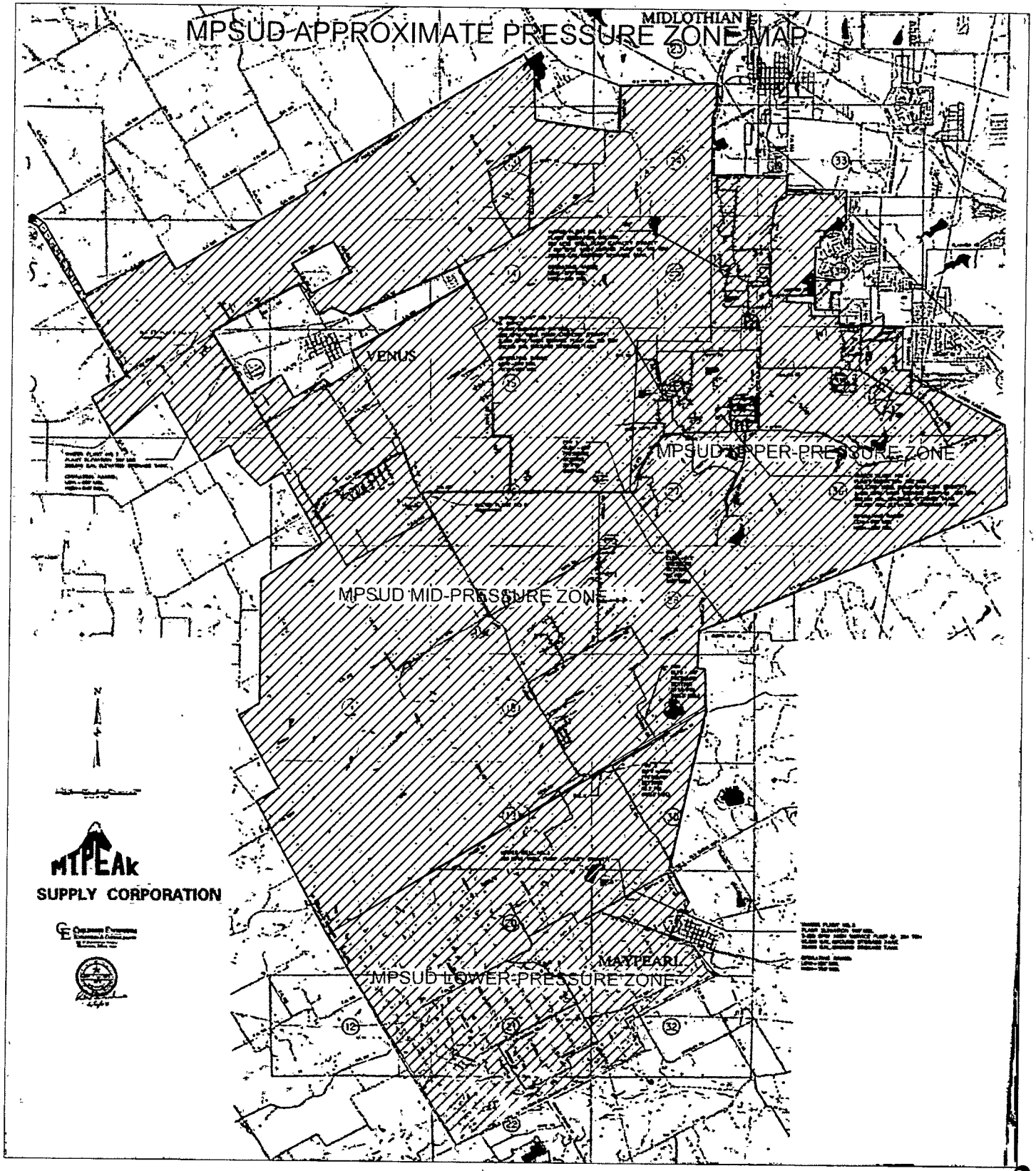
MPSUD APPROXIMATE PRESSURE ZONE MAP
MIDLOTHIAN
VENUS
MPSUD UPPER-PRESSURE ZONE
MPSUD MID-PRESSURE ZONE
MAYPEARL
MPSUD LOWER-PRESSURE ZONE
MTPEAk
SUPPLY CORPORATION

EXHIBIT DGR-5
PRELIMINARY - SUBJECT TO REVSION
MPSUD ASSETS RENDERED USELESS AND VALUELESS DUE TO DECERTIFICATION OF PARK PROPERTY

A DESCRIPTION OF MPSUD WATER PLANT ASSET	B PERCENT MPSUD EXISTING WATER IMPROVEMENTS RENDERED USELESS AND VALUELESS DUE TO DECERTIFICATION OF PARK PROPERTY
Water Plant No. 1	
Well No. 1 250 gpm	6.3%
2 - 300 gpm @ 150' TDH High Service Pumps with Bldg. and Controls	11.8%
210,000 gallon GST	1.4%
Water Plant No. 2	
Well No. 2 200 gpm	6.3%
Well No. 2a 150 gpm	6.3%
2- 300 gpm @ 140' TDH High Service Pumps with Bldg. and Controls	11.8%
210,000 gallon GST	11.8%
Water Plant No. 4	
Well No. 4 400 gpm	6.3%
2 - 400 gpm @ 130' TDH High Service Pumps with Bldg. and Controls	11.8%
500,000 gallon GST	1.4%
300,000 gallon EST	1.4%
Water Plant No. 8	
Well No. 5 650 gpm.	6.3%
2- 650 gpm @ 180 TDH High Service Pumps with Bldg. and Controls	11.8%
1,000,000 gallon GST	1.4%
Water Plant No. 9	
Well No. 6 650 gpm @ 130' TDH	6.3%
Well No. 9a 200 gpm	6.3%
2- 550 gpm High Service Pumps with Bldg. and Controls	11.8%
500,000 gallon GST	1.4%
MPSUD Ashford Lane Property	
2.06-Acre Tract	50.0%
MPSUD Loop Line Through Park Property	
12" Water Line (Appr. 4,500 l.f.) With Appurtenances	100.0%
MPSUD 6" Ashford Lane Stranded Water Line	
6" Water Line (Appr. 3,244 l.f.) With Appurtenances	50.0%
FM 663 Water Line Improvement (2005) - Off Site Water Line By Welch Engineering	
Approximately 2,500 L.F. of 12" Water Line with Road Bores, Fittings and Appurtenances	8.9%
Offsite Water Line for Plant Nos. 8 and 9	
2,250 LF 12" SDR21 PVC Pipe Including Fittings and Appurtenances	8.9%
Childress Engineers Costs Associated with Midlothian Expedited Withdrawal of Park Property	
Design and Construction Management of Numerous MPSUD Upper-Pressure Zone Water Plant and Transmission Improvements	7.1%
Water Plant and Transmission Construction Improvement by Circle H Construction, Lamarc, Inc., ONCOR, and J. L Meyers	
Water Plant and Transmission Construction Projects	7.1%
Miller, Mentzer and Walker, PC, Costs Associated with Midlothian Expedited Withdrawal of Park Property	
Legal Services Related to Park Land Decertification	100.0%
Jackson Walker, LLP, Costs Associated with Midlothian Expedited Withdrawal of Park Property	
Legal Services Related to Park Land Decertification	100.0%
DGRA, Inc, Costs Associated with Midlothian Expedited Withdrawal of Park Property	
Professional Services Related to Park Land Decertification	100.0%