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PUBLIC UTILITY COMMISSION
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October 4, 2016

Reference: CCN NUMBERS 12407 and 20948
Docket #46150

Our names are Frank J. and Helen A. Kisner; our physical and mailing address is 2625 Arion Circle in the Woods of Greenshores, Austin, Texas 78730. Our Daytime Phone Numbers are: 808-494-8101 and 808-228-9754.

We are writing with regard to "Notice of Intent to Sell facilities and Transfer of Certificate of Convenience and Necessity (CCN) Nos. 12407(water) and 20948 (waste water) to Undine Development LLC in Travis County" by the PK_RE Development Company, INC DBA Oak Shores Water System.

We request a public hearing to address the items/issues we identify in this letter, and note that we are customers of the current owner, PK-RE Development Company for both the water and wastewater CCN.

The "Builder/Developer" of Woods of Greenshores, PK_RE, owners of the Utility (and Hills/Woods of Greenshores developer), have, over the last two years we've lived here, proven themselves only marginally able to operate the water systems to meet the needs of approximately 220 existing homes in the neighborhoods served. For the first 18 months they usually extracted 2.5 million gallons of water a month from Lake Austin, and 'lost' 40% of that volume every month. Although the last 6 months' losses were reduced to only 30% lost, through the efforts of a new plant operator, those statistics remain well above both national and state averages. There has been a consistent refusal by the owners to invest any additional capital improvement in the system.

In 2015 we filed Complaint #CP2015110446 with the Public Utility Commission of Texas on CCN 12407, the catalyst for which was a Summer which saw numerous "stop outdoor watering" notices and "boil water" notices attributed in those notices to plant malfunctions and an inability to meet customer demand. In response to this complaint, the Public Utilities Commission, on 25 November 2015 replied, based on information received from Greenshores Utility (then the operators in support of CCN 12407). That 25 Nov 2015 Response included the verbiage:

"Irrigation use was only restricted during periods of drought, when it went from two to one day a week."

Additionally, in the 25 Nov 2015 response, and in a subsequent 12 Jan 2016 response, the Customer Protection Division of the Public Utilities Commission of Texas replied:

"OSWS [Oak Shores Water System] also advised that if funds are available, the current 4" pipe lines will be replaced by 6" pipe lines, which will increase the amount of water to their filtration system from the current 200 GPM to 350 GPM."

However, and after additional "stop outdoor watering" notices, the Greenshores Utility Services sent a Memorandum of 6/23/16, in which the following information was presented:

"PK-RE Development Company, Inc. d/b/a Greenshores Utility Services ("Greenshores"), water supplier to the Utility Customers in the Greenshores and Oak Shores water systems ("the Utility"),

hereby notifies its customers of implementation of Stage 3 mandatory water-use restrictions (restricted watering to only 1 day per week) in response to equipment maintenance and continued customer demand on its water system. As a result of this notification, the Utility is notifying all Utility customers of implementation of mandatory watering restrictions in accordance with its approved Drought Contingency Plan."

As of this writing, we are still in Stage 3 mandatory water-use restrictions, 4 months later.

As a local comparison on regulated water use in close vicinity to the area serviced by CCN 12407, City of Austin has placed its Water utility use in "Conservation" stage after a May 2016 vote by the Austin City Council to implement a permanent part of Stage 2 water restrictions, no matter what the LCRA Highland Lake levels are. But, Austin Water has offered to allow homeowners (during Stage 2) to wash their cars in their driveway (using bucket procedures). And when the Highland Lakes are higher in Stage 1 and conservation stages (which is currently the case), Austin Water is proposing manual shut-off nozzle car washing procedures. In addition, those homes with irrigation systems installed will be allowed to water once a week, but also another day as long as they use a hose sprinkler."

It should be noted that in their June 2016 Memorandum, PK-RE Development Company has admitted they implemented Stage 3 Water Restrictions, not to be in concert with the City of Austin, but rather because of "equipment maintenance and due to continued customer demand on its water system." So four months after receipt of that memorandum, either equipment maintenance or continued customer demand or both have required restrictions greater than those required by the City of Austin.

Of concern to this inability to meet "customer demand," R2 Development Company and Woods of Greenshores, Ltd., both of which are controlled by the owner of PK-RE, Inc, have an inactive permit on file with the City of Austin (Permit 2015-085950C, Case Number C8J-2015-0156) for Section 2, Woods of Greenshores, an area which falls within CCNs 12407 and 20948. In update U2, under AWU-Utility Development Service Review, the following note is included as WW1: "The landowner intends to serve each lot with a connection to PK-RE, INC's water and wastewater utility systems. The landowner must provide written evidence that the service provider will provide water and wastewater utility service to each lot for the proposed land use and in accordance with the City of Austin utility design criteria. The landowner must post fiscal with the utility service provider if required."

These same plans (City of Austin Permit 2015-085950C, Case Number C8J-2015-0156), identify the requirement to install a FORCEMAIN sewage pumping line from the current "pump and haul" station in Woods of Greenshores to the Oakshores WasteWater Treatment Plant (CCN 20948). As the "September 19, 2016 Notice to Current Customers, Neighboring Systems and Cities" only indicates "current customer water rates will remain unchanged," we would like to know if there is a similar guarantee that "customer wastewater rates will remain unchanged, or decrease?"

Based on the aforementioned facts, which are all in the public record, we would like to have the following issues addressed and/or answered in the Public Hearing:

1. Will the Public Utilities Commission require plant/infrastructure inspection prior to sale to ensure plant/infrastructure is capable of meeting current and anticipated demand so that the verbiage contained in the "September 19, 2016 Notice to Current Customers, Neighboring Systems and Cities" of "(1)

Current customer water rates will remain unchanged; (2) service quality will remain the same or improve” is fully met to all customer satisfaction?

2. Since “customer demand” has been an identified issue, will the Public Utilities Commission require UNDINE to document and meet identified deadlines for addressing the equipment/demand issues previously identified by PK-RE, and will the PUC also ensure the verbiage in the Notice that “customer water rates will remain unchanged” will remain valid, even if system infrastructure must be improved?

3. Specifically, will there be a required timeline and set deadline for implementing the replacement of the 4" intake pipe with a 6" intake pipe, and will this replacement be executed at no cost to the consumers so that the previously identified “customer demand requirements” will be met?

4. Will the Public Utilities Commission monitor any required system improvements for timeliness?

5. Will the Public Utilities Commission work in conjunction with the City of Austin Planners/Permiters to ensure that new customers will not be added to the utility network until the system can handle the demand of approximately 50 new homes, which would be a 20% to 25% increase to the current 200(+) homes?

6. What is UNDINE's intent for Stage 3--is it to be Permanent? If so, and if this "permanent Stage 3" is in response to the previously identified issue of customer demand on the water system, can UNDINE guarantee it will NOT increase the customers on the utility network, so as not to put current customers at risk for water outage?

The application for transfer indicates an original cost of \$8,148,374 for the utility which is in excess of \$35,000 per connection. The utilities book assets appear to have been generated via an inaccurate financial model which could generate false expectations on income return from the buyer.

Allowing the developer to sell the utility to potentially underfunded LLC without the means and/or a viable plan to remedy the issues with both water and sewage systems is likely to further stress an already precarious system and potentially result in the State having to intervene in an extreme situation, taking over the utility in the near future.

As a Desired Outcome, we are asking for a hearing in order to:

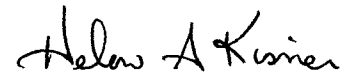
- 1) Confirm that there is complete disclosure of problems by the Seller with a presentation by the purchaser of a plan and acceptance of responsibility for bringing the utility to a mutually acceptable (with customers) level of functionality.
- 2) Disclose plans which the seller/buyer have for addressing the equipment/demand issues previously identified by PK-RE, including a timeline for the impeller upgrade and 4" to 6" intake feed line.
- 3) Prevent the continuance of below market connection fee deals which transfer normal builder/developer borne costs to the consumer rate-payers.
- 4) Prevent the cost of fixing longstanding issues with this underfunded marginal utility being dumped on the existing customers through inflating already high rates.
- 5) Review the Book Assets of the Utility while the owner developer is responsible for his representation of cost and ensure that future rates to be determined on fully disclosed fairly valued assets for the new purchaser and the rate payer.
- 6) Obtain disclosure by the purchaser of the funding for the proposed solutions so that the rate payers can see this is not a sham transaction designed to remove the “Owner/developer” from his liabilities to the utility, its rate payers and ultimately the State of Texas.

- 7) Obtain assurances that new customers will not be added to the utility network until the system can handle the demand of approximately 50 new homes. which would be a 20% increase to the current 200(+) homes.

Thank you for your consideration of our request.

Sincerely


Frank J. Kisner


Helen A. Kisner