

Control Number: 46150



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Addendum StartPage: 0

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Public Utility Commission of Texas
1701 North Congress Avenue
P O Box 13326
Austin, Texas 78711-3326

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PUBLIC UTILITY COMMISSION
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October 12, 2016

Reference: CNN numbers 12407 and 12948
Docket #46150

Our names are Gary R. and Laura H. Volluz. We reside at 7309 Aemilian Way in the Woods of Greenshores, Austin, Texas 78730. Our daytime phone numbers are respectively: 210-913-1360 and 210-287-8329.

We are writing with regard to Notice of Transfer of water CCNs No. 12407 (water) and No. 20948 (waste water) in Travis County from the PK_RE Development Company, INC DBA Oak Shores Water System to Undine Development LLC.

We are customers of the current Water and Sewer Services provider PK-RE and are requesting a public hearing regarding the proposed sale of the utility and to discuss issues noted below regarding the proposed transfer to Undine Development LLC.

The "Builder/Developer" of Woods of Greenshores, PK_RE, owners of the Utility (and Hills/Woods of Greenshores developer), have proven themselves, over the last two years, 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 to system inadequacies. In the last 6 months, improvement was reached through the efforts of a new plant operator that has reduced "lost water" to 30%, but still well above either national or state averages and marginally sufficient to support the served communities.

There has been a consistent refusal by the owners to invest additional capital for improvement in the system. We believe this is because they have jeopardized the financial viability of the utility, to benefit their "development companies" interest, relying instead on 'band aid' fixes to keep the system running. The result, our water service is continually on a razors edge with the only a small disruption causing major failures. During 2015 there were numerous periods of insufficient water supply and/or boil water notifications resulting from the marginal material condition of the entire system. The system can be 'fixed' as evidenced in a recent study by the UT School of Engineering, but the current owners are unwilling to take those steps and have stated on several occasions their intention "... not to sink any more money into the system ...". A complaint was filed with the PUC last year and resulted in unfulfilled promises by the owner of remediation to the PUC, with nothing of significant impact being done due to their unwillingness to invest funds in the infrastructure.

Compounding this problem, the owner/developer of the utility is in discussions with a third party developer to build out an additional 45 plus homes in Phase Two of the Woods of Greenshores. The owner of PK_RE and the water system has a deep financial interest in the

property to be sold. This additional subdivision is being planned without visibility to the affected residents, or apparently a viable plan to provide sewer service and adequate water service to the current or new customers. If this developer's history is any indication, this "non-visible plan" will again try to shift the cost of developing the necessary service to rate payers with a "below market" connection deal for developers and make up the difference with higher rates (already well above city rates) to existing customers.

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 Utility's book assets appear to have been inflated by self-dealing, not arm's length transactions between the Utility and the developer owners.

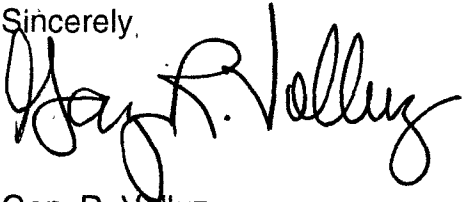
Permitting the developer to sell the utility to potentially underfunded LLC without the means and/or a viable plan to remedy the issues with both water and sewage systems is likely further stress and already precarious system and potentially result in the State having to intervene in an extreme situation,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

As an objective outcome, we are asking for a hearing to:

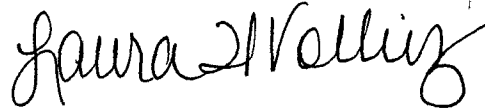
- 1) Confirm that there is complete disclosure of problems by the Seller with a presentation by the purchaser of a plan and acceptance of responsibility for bringing the utility to a mutually acceptable (with customers) level of functionality.
- 2) Understand what plans the seller/buyer have for addressing the equipment/demand issues previously identified by PK_RE, including a timeline for the impeller upgrade and 4" to 6" intake feed line noted in the UT study.
- 3) Prevent the continuance of below market deals which transfer the normal costs of developers/builders 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.
- 8) Give us some level of assurance that the rates to be charged to homeowners is in line with generally accepted levels for similar utilities in this area,

Thank you for your consideration of and attention to our request.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary R. Volluz". The signature is fluid and cursive, with the first name "Gary" and last name "Volluz" clearly distinguishable.

Gary R. Volluz

A handwritten signature in black ink, appearing to read "Laura H. Volluz". The signature is fluid and cursive, with the first name "Laura" and last name "Volluz" clearly distinguishable.

Laura H. Volluz

CC: Senator Kirk Watson
PO Box 12068
Austin, TX 78711