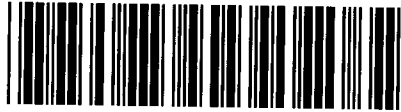




Control Number: 46333



Item Number: 123

Addendum StartPage: 0

SOAH DOCKET NO. 473-17-2285.WS
PUC DOCKET NO. 46333

RECEIVED

2017 MAR -7 PM 2: 27

APPLICATION OF PK-RE	§	BEFORE THE STATE OFFICE	MISSION
DEVELOPMENT COMPANY, INC.	§		FILING CLERK
D/B/A GREENSHORES UTILITY	§		
SERVICES AND D/B/A OAK SHORES	§	OF	
WATER SYSTEM FOR AUTHORITY	§		
TO CHANGE RATES AND TARIFFS	§		
IN TRAVIS COUNTY	§	ADMINISTRATIVE HEARINGS	

**PK-RE DEVELOPMENT COMPANY D/B/A OAK SHORES WATER SYSTEM'S
MOTION FOR INTERIM RATES**

PK-RE Development Company, Inc., d/b/a Oak Shores Water System ("PK-RE") files this Motion for Interim Rates, and respectfully shows the following:

I. BACKGROUND

On October 12, 2016, PK-RE filed with the Public Utility Commission of Texas ("Commission") a Class B application for a rate/tariff change under Water Certificate of Convenience and Necessity ("CCN") No. 12407 and Sewer CCN No. 20948 in Travis County, Texas. PK-RE has 218 water and 143 sewer customers.

In its initial filing, PK-RE asked that rates be made effective 60 days after the filing with the Commission. On November 16, 2016, Order No. 2 deemed the filing administratively incomplete and suspended the effective dates. Order No. 2 required PK-RE to cure the deficiencies in its notice and file an affidavit attesting to the re-noticing of customers by December 16, 2016. On December 16, 2016, PK-RE filed an affidavit attesting to the re-noticing of customers. On January 18, 2017, Order No. 5 deemed the filing administratively complete and sufficient for filing.

The application was referred to the State Office of Administrative Hearings ("SOAH") on January 24, 2017. SOAH Order No. 1, dated February 14, 2017, found that the application was deemed filed on January 18, 2017, and determined that the rates would become effective 60 days after the filing date without further action, or March 19, 2017. However, citing the Commission's finding in Order No. 5 that cause existed to suspend the effective date of the rates by 265 days under Texas Water Code § 13.1871(g), the SOAH Administrative Law Judge ("ALJ") likewise found that a 265-day suspension is appropriate. The ALJ suspended the effective dates of the rates for 265 days from March 19, 2017, which is December 9, 2017.

As set forth herein, the suspension for the full 265 days works a financial hardship on PK-RE, and interim rates are respectfully requested.

II. NEED FOR INTERIM RATES

The Commission's rules provide that a party may petition the judge or the Commission to set interim rates after a hearing is convened.¹ PK-RE is filing this motion in advance of the prehearing conference scheduled for March 16, 2017, so that parties can review the request for interim rates before a formal hearing is convened and address the motion at the prehearing conference.

The Commission's rules also provide that interim rates can be ordered in those cases under the Commission's original or appellate jurisdiction where the failure to set interim rates could result in unreasonable economic hardship on the utility.² Such a hardship exists here.

PK-RE has taken out loans for \$2.22 million from OmniBank, N.A. to perform capital improvements. PK-RE still owes approximately \$1.85 million on those loans.³ In addition, Mr. Eppright, the owner of PK-RE, has also invested \$345,000.00 of his own personal money since January 2014 for operating expenses to keep these utility systems operating and compliant with state regulations. The reason for the investment of personal funds into the systems is that PK-RE's current rates do not cover its operating costs. PK-RE filed the rate case in order to receive more revenues from rates in order to stop underwriting the utility systems with Mr. Eppright's personal funds.

Delaying the new rates for over an calendar entire year from the original filing date will require the owner of PK-RE to continue to fund the water and sewer systems out of his own funds, and will result in the utility sinking deeper into debt. The requested rate increase is necessary to maintain the systems, and suspending the effective date of the new rates until December 9, 2017, will financially harm PK-RE.

¹ 16 Tex. Admin. Code ("TAC") § 24.29(b)

² 16 TAC § 24.29(d)

³ See *Application of PK-RE Development Company, Inc. d/b/a Oak Shores Water System and Undine Development, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Travis County*, Docket No. 46150, PK-RE Development Company's Response to Commission Staff RFI No. 1-2 (Feb. 9, 2017).

III. LEVEL OF INTERIM RATES

PK-RE requests the interim rates be set at the requested Phase 1 rates as set forth in the application and attached as Exhibit A. Interim rates at the Phase 1 level are appropriate and within the range of reasonableness contemplated by the Settlement Agreement between PK-RE and its customers in 2013.⁴ That Settlement Agreement provided as follows:

8. PK-RE agrees that for five (5) years after the settlement date the maximum rate increase it may seek in future rate applications to TCEQ will be 5% annually. The 5% increase in revenues cap will be cumulative. . .

The current application by PK-RE is the first rate increase requested after that Settlement Agreement. The Phase 1 rates represent a 20% increase from current rates, are within the "increase in revenues cap" described in that agreement, and represents a reasonable increase that will allow the utility to be less dependent upon underwriting by its owner.

IV. PRAYER

PK-RE respectfully requests that an order be issued declaring that the water and sewer rates as set forth in Exhibit A be set as interim rates pursuant to Tex. Water Code § 13.1871(s) effective March 16, 2017, until the Commission sets a final rate, and granting further relief to which it is justly entitled.

Respectfully submitted,

PK-RE Development Company, Inc. dba
Oak Shores Water System
500 N. Capital Hwy., Bldg. 1, Suite 125
Austin, Texas 78746
(512) 402-1900
russell@cuprighthomes.com



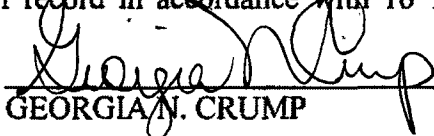
RUSSELL EPPRIGHT, President
Hill County Galleria, Bldg. B
13301 Galleria Circle, Suite B175

⁴ See *Application of PK-RE Development, Company, Inc. dba Oak Shores Water System to Change Water and Sewer Rates in Travis County, Texas*, TCEQ Docket No. 2013-0509-UCR, Settlement Agreement and Motion to Remand (Nov. 20, 2013), attached as Exhibit B.

Bee Cave, Texas 78738
(512) 347-1530

CERTIFICATE OF SERVICE

I hereby certify that on March 7th, 2017, true and correct copy of the foregoing document has been served on all parties of record in accordance with 16 Tex. Admin. Code § 22.74.



GEORGIA N. CRUMP

Exhibit A

PUC Docket No. 46333
First Errata
SCHEDULE VI RATE DESIGN
Page 1 of 6

UTILITY NAME: PK-RE DEVELOPMENT, INC.			
SCHEDULES - CLASS B RATE/TARIFF CHANGE			
Schedule VI-1 RATE DESIGN PHASE I			
FOR THE TEST YEAR ENDED: 12/31/2015			
Line No.	A	B	C
Reference			
DETERMINATION OF FIXED COSTS			
1.	Gross revenues to be recovered:	Sch I-1, Line 36	472,536
	Less variable costs:		
2.	Purchased water - Account 610	Sch I-1, Col. F, line 1	29,967
3.	Purchased power - Account 615	Sch I-1, Col. F, line 2	43,526
4.	Other volume related - Account 618	Sch I-1, Col. F, line 3	5,419
5.	Other volume related or allocated (attach schedule)		
6.			
7.			
8.			
9.			
10.	FIXED COSTS (Line 1 minus Lines 2-9)		393,623
11.	% OF FIXED COSTS RECOVERED IN VOLUMETRIC CHARGE		50%
12.	TO BE RECOVERED THROUGH BASE SERVICE CHARGE		196,812
	RECAP:		
13.	RECOVERED THROUGH BASE SERVICE CHARGE	Line 10	196,812
14.	RECOVERED THROUGH VOLUMETRIC RATE	Line 1 - Line 10	275,724
	TOTAL	Equals Line 1	472,536
	TO BE RECOVERED THROUGH BASE SERVICE CHARGE		
15.	TOTAL METER EQUIVALENTS	Sch I-3, Col H, line 9	316.5
16.	CHARGE PER 5/8" X 3/4" METER	Line 13 / Line 15	51.82
	TO BE RECOVERED THROUGH VOLUMETRIC RATE		
17.	TOTAL WATER SALES IN 1,000 GALS	Sch II-1(a), Col C, line 4	30,750
18.	VOLUMETRIC RATE (CHARGE PER 1,000 GALS)	Line 14 / Line 17	See Attached
	PROPOSED RATES:		
19.	FOR ALL WATER DELIVERED PER 1,000 gallons	Line 18 or attach calc	See Attached
	BASE SERVICE CHARGE (PER 5/8" X 3/4")		51.82
	Meter size	Equivalency	Base Rate/51.82
20.	5/8 X 3/4"	51.82 X 1.0 =	1 51.82
21.	3/4"	51.82 X 1.5 =	1.5 77.73
22.	1"	51.82 X 2.5 =	2.5 129.55
23.	1 1/2"	51.82 X 5.0 =	5 259.1
24.	2"	51.82 X 8.0 =	8 414.56
25.	3"	51.82 X 15.0 =	15 777.3
26.	4"	51.82 X 25.0 =	25 1295.5

If the utility is setting a tiered rate, calculations for all tiers must be provided with total collections for all tiers compared to the revenue requirement requested.

Exhibit A

PUC Docket No. 46333

First Errata

Page 2 of 6

PK-RE Development

Development of Inclining Block Rates - Phase I

Consumption in Gallons				
0-10,000	10,001 - 25,000	25,001 - 50,000	50,001 and Above	Total

6,922	8,680	9,398	5,790	30,790
-------	-------	-------	-------	--------

Existing Rates

\$ 5.00	\$ 8.00	\$ 12.00	\$ 14.00
---------	---------	----------	----------

Calc Revenue at Existing Rates

\$ 34,610	\$ 69,440	\$ 112,776	\$ 81,060	\$ 297,886
-----------	-----------	------------	-----------	------------

Calc Revenue at Proposed Rates

\$ 32,035	\$ 64,274	\$ 104,388	\$ 75,029	\$ 275,724
-----------	-----------	------------	-----------	------------

Proposed Volumetric Rates

\$ 4.83	\$ 7.40	\$ 11.11	\$ 12.98
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Proof of Revenue

\$ 32,049	\$ 64,232	\$ 104,412	\$ 75,031	\$ 275,724
-----------	-----------	------------	-----------	------------

Exhibit B

SOAH Docket No. 582-13-3907
TCEQ Docket No. 2013-0509-UCR

APPLICATION OF PK-RE DEVELOP-	§	BEFORE THE
MENT, COMPANY, INC. DBA OAK	§	STATE OFFICE
SHORES WATER SYSTEM TO	§	OF
CHANGE WATER AND SEWER RATES	§	ADMINISTRATIVE
IN TRAVIS COUNTY, TEXAS	§	HEARINGS

SETTLEMENT AGREEMENT AND MOTION TO REMAND

PK-RE Development, Company, Inc. dba Oak Shores Water System (PK-RE) filed the instant water and sewer rate change application with the Texas Commission on Environmental Quality (TCEQ). The rate change was noticed to become effective on November 25, 2012. The effective date was never suspended.

The application was protested and a preliminary hearing was conducted in Austin, Texas on Tuesday, June 11, 2013. The presiding administrative law judge took jurisdiction over the case, named parties and allowed the parties to engage in settlement negotiations. While a hearing and discovery schedule was agreed to and approved in Order No. 1, the presiding administrative law judge abated that schedule at the request of the parties to allow for mediation and post-mediation settlement negotiations.

The following settlement has been reached. The parties acknowledge that portions of this settlement agreement are outside of the state's regulatory

Exhibit B

Jurisdiction; in which case, such provisions may be enforced civilly in a court of competent jurisdiction:

1. The effective date of these settlement water and sewer rates will be November 25, 2012 as provided in the original statement of Intent and notice to customers. The effective date of the settlement agreement shall be September 19, 2012, the date the rate change application was filed with the TCEQ. It is from the settlement date of September 19, 2012 that all other dates agreed to herein shall be measured.
2. PK-RE's proposed water and sewer rates as noticed to customers shall be approved as the final rates of the utility. A copy of that notice is attached hereto and incorporated herein for all purposes.
3. PK-RE's proposed non-service rates, fees and charges as noticed to customers shall be approved. Those non-service rates, fees and charges are set forth in the same attached customer notice.
4. There will be no refunds of collected increased rates.
5. There will be no surcharge of additional rate case expenses incurred by PK-RE Development after the date of filing.
6. There will be no bench mark findings on rate base in this docket. This issue is reserved to be decided in a future rate case.
7. PK-RE agrees not to file any rate increase application for at least two (2) years from the settlement date.
8. PK-RE agrees that for five (5) years after the settlement date the maximum rate increase it may seek in future rate applications to TCEQ will be 5% annually. The 5% increase in revenues cap will be cumulative. For example for illustration purposes only, at the end of year 2, PK-RE could seek a 10% increase. At the end of year 3, if PK-RE had not sought any increase before, it could seek a 15% increase. The measurement of "increase" for purposes of this settlement shall mean an increase in annual utility revenues and not a percentage increase in any given rate, rate tier or individual customer's bill.

Within 60 months following the expiration of the 5 year period, the PK-RE customers may, by a petition signed by at least 50% of the active service accounts, petition PK-RE to file a one-time application with the Public Utility Commission of Texas (PUC) (or agency with jurisdiction at that time) to review PK-RE's rates. Within 60 days of receipt of such petition, PK-RE shall file an application seeking the state's review of its

Exhibit B

rates. PK-RE shall be entitled to seek any type of rate relief in this rate case, including but not limited to an increase in water and/or sewer service rates. The affected customers shall be entitled to seek any type of rate relief in this rate case, including but not limited to a decrease in water and/or sewer service rates.

9. The restrictions on filing rate change applications in Items 7 and 8 above shall not apply to PK-RE's right to seek or implement a purchased water pass through clause, in accordance with 30 TAC §291.21(h), for the raw water PK-RE purchases from the Lower Colorado River Authority (LCRA).

10. PK-RE will provide all customers an opportunity to enroll in the IRIS email notification system. This voluntary system requires that an enrollment form be sent and executed by customers. AWR Services, Inc. (AWR), as PK-RE's operator of the water and wastewater systems, will enter all customer information. All new customers will be sent an application for enrollment in IRIS. An annual update form will be sent to all customers each year. Customers can also contact the AWR office with any changes in their contact information. IRIS would be used for all Boil Water notices, system emergencies, and notices of termination of boil water notices. An e-mail group will be set-up in IRIS to be used for non-emergency notifications.

11. A monthly report will be prepared with information about the water and wastewater system to include: water produced, water loss, repairs, maintenance performed, etc. Each home owners association (HOA) will designate a liaison between PK-RE and its homeowners. The Oak Shores portion of the PK-RE service area does not have an HOA so those customers may collectively designate their own liaison. The report submitted to the designated liaisons may then be distributed to other customers. The decision as to whom the information will be disseminated will be left to the designated liaisons.

12. A conference call will be conducted on a quarterly basis at 10:00 a.m. on the second (2nd) Wednesday of each calendar quarter. These calls will include the three liaisons identified in Item No. 11, AWR, and PK-RE. For additional customer service support, the direct contact number of both Richard O'Donnell, Operations Manager for AWR, and Hal Länham, President of AWR (or individuals discharging similar duties on behalf of the utility in the event that these specific individuals no longer act in their current capacity), will be provided to the three liaisons.

13. Emergency Response Protocol – During normal business hours (8 a.m. – 4:30 p.m., Monday – Friday), customer calls will be answered on-site at AWR offices. After normal business hours (including weekends

Exhibit B

and holidays) customers will be routed through AWR's answering service to a live representative. In the event the issue cannot be resolved by the Operator, the Operator then contacts the Operations Manager of AWR (OM), who will assist the Operator in resolving the issue. If the OM is still unable to resolve the issue, he will contact Hal Lanham, who will assist the OM in resolving the issue. If the issue is of a serious nature, Mr. Lanham will directly contact the owners of PK-RE. A phone call will also be made to the designated liaison for the affected portion of the service area. If the issue affects all customers, an IRIS alert will be sent via email, text, cell phone, or a combination thereof.

14. Russell Eppright and PK-RE, through the appropriate entity, shall transfer control of the Greenshores on Lake Austin Property Owners' Association effective on the date of the execution of the settlement agreement. The transfer must be fully completed within 30 days of the execution of this agreement. Further, Mr. Eppright, PK-RE, and all affiliates agree that the "Declarant Control Period" set forth in Section 6.03(A)(ii) of the Declaration of Covenants, Conditions and Restrictions for Greenshores on Lake Austin and any amendments thereto is henceforth terminated. Mr. Eppright, PK-RE, and all affiliates hereby waive any increased voting rights relating to the Greenshores on Lake Austin Property Owners' Association, Inc., including but not limited to the Class B voting rights set forth in Section 6.03(A)(ii) of the Declaration of Covenants, Conditions and Restrictions for Greenshores on Lake Austin and any amendments thereto and any other like provisions. For the avoidance of doubt, from the effective date of this agreement, Mr. Eppright, PK-RE, and any affiliates will be entitled to a maximum of one vote for each Lot owned subject to the same restrictions as all other property owners.

15. PK-RE will provide the designated liaisons with copies of the utility's annual financial statements when they are prepared and distributed to management. TCEQ or PUC annual reports will be filed as required by law and will be public record at the appropriate agency.

16. All parties acknowledge that they are aware of PK-RE's plan to pursue a sale of the water and sewer systems to the City of Austin. All parties agree to take all requested and reasonable actions necessary to further such a sale. All parties agree that if such a sale is closed, PK-RE shall be released from all further obligations to its customers arising under this settlement agreement effective the day the City of Austin assumes operating responsibility for the water and sewer systems.

17. **Contacts and Notices:** The following are the contacts and addresses for the entities to receive notices under this agreement. These

Exhibit B

contacts and addresses may be changed with written notice to all listed entities:

PK-RE Development Company, Inc. dba Oak Shores Water System
Attn: Russell Eppright
6836 Bee Caves Road
Austin, Texas 78746
(512) 347-9955

AWR Services, Inc.
Attn: Hal Lanham
500 N. Capital of Texas Hwy.
Bldg. 1, Suite 125
Austin, Texas 78746
(512) 402-1990

Greenshores on Lake Austin Property Owners' Association*
Attn: _____

Austin, Texas 787____
(512) ____-____

The Woods Property Owners' Association*
Attn: _____

Austin, Texas 787____
(512) ____-____

Oak Shores Customers*
Attn: _____

Austin, Texas 787____
(512) ____-____

* Information to be provided by customer groups at a later date.

With the execution of this settlement agreement, the undersigned parties state that there are no longer any contested issues of law or fact in this docket. The parties jointly move for SOAH to remand this docket to the TCEQ Executive Director for entry of appropriate administrative approval orders.

Exhibit B

EXECUTED the _____ day of November, 2013.

PK-RE Development

Kevin Usleman



Mark Zeppa, Attorney

John Carlton, Attorney

The Riveras

Dora Alicia Rivera, Individually

Albert Rivera, Individually

TCEQ Executive Director*

TCEQ Public Interest Counsel*

Kayla Murray, Staff Attorney

Blas Coy, Jr., Public Interest Counsel

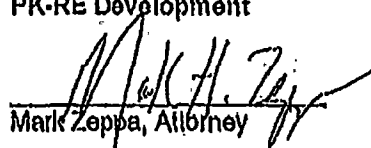
* *By their authorized signatures above, the TCEQ ED and PIC signify that they have no objections to the other parties' settlement and join in the motion to remand.*

Exhibit B

EXECUTED the _____ day of November, 2013.

PK-RE Development

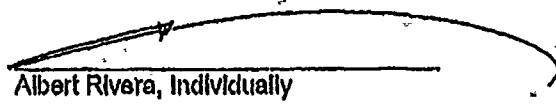
Kevin Uselman


Mark Zeppa, Attorney


John Carlton, Attorney

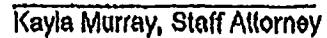
The Riveras


Dora Alicia Rivera, Individually


Albert Rivera, Individually

TCEQ Executive Director*

TCEQ Public Interest Counsel*


Kayla Murray, Staff Attorney


Blas Coy, Jr., Public Interest Counsel

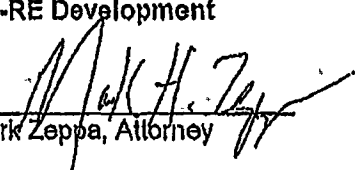
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PK-RE Development

Kevin Usleman


Mark Zeppa, Attorney

John Carlton, Attorney

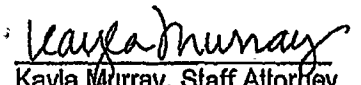
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Blas Coy, Jr., Public Interest Counsel

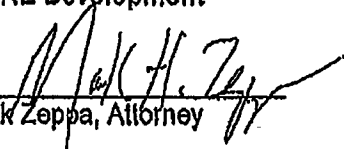
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TCEQ Public Interest Counsel*

Kayla Murray, Staff Attorney

by


Blas Coy, Jr., Public Interest Counsel

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