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PUBLIC UTILITY COMMISSION
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APPLICATION OF PK-RE § BEFORE THE STATE OFFICE
DEVELOPMENT COMPANY, INC. §
DBA GREENSHORES UTILITY §
SERVICES AND DBA OAK SHORES § OF
WATER SYSTEM FOR AUTHORITY §
TO CHANGE RATES AND TARIFFS §
IN TRAVIS COUNTY § ADMINISTRATIVE HEARINGSS

**GREENSHORES ON LAKE AUSTIN PROPERTY
OWNERS' ASSOCIATION, INC.'S
RESPONSE REGARDING OPPOSITION TO MOTION FOR INTERIM RATES**

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE:

Greenshores on Lake Austin Property Owners' Association, Inc. ("Greenshores") responds to PK-RE Development Company, Inc. dba Oak Shores Water System's ("PK-RE") Reply regarding its Motion for Interim Rates filed on March 31, 2017 and would respectfully show as follows:

A. PK-RE Fails to Provide Any Assurance Regarding the Safety of Customers' Funds

In opposition to PK-RE's motion for interim rates, Greenshores raised the serious concern that any funds obtained by PK-RE through increased interim rates may be immediately exhausted, leading to PK-RE's inability to return those funds in the event that its rate increase application is denied. Greenshores on Lake Austin POA, Inc.'s Opposition to Motion for Interim Rates at 132 (March 23, 2017) at 3-4. (Opposition). In its reply, PK-RE provides no assurances whatsoever that it will be able or willing to return customer funds in the event that its rate increase application fails. PK-RE Development Company's Reply to Responses to Motion for Interim Rates at 135 (March 31, 2017). (Response). For this reason, standing alone, PK-RE motion should be denied outright. At a minimum, any funds obtained through an interim rate increase should be required to be placed into escrow.

B. The Undisputed Facts Prove That PK-RE Would Be Cash Flow Positive Had It Not Wasted Hundreds of Thousands of Dollars on Unreasonable Pump-and-Haul

In its reply, PK-RE claims that Greenshores failed to submit "any proof" that PK-RE would be cash flow positive absent the unreasonable and unnecessary pump-and-haul expenses it is incurring. Response at 2. That is false. PK-RE's own motion alleged that the cash flow shortfall since January 2014 has been \$345,000. PK-RE Development Company d/b/a Oak Shores Water

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System's Motion for Interim Rates at 123 (March 7, 2017) at 2. (Motion). In its opposition, Greenshores pointed out that the pump-and-haul expenses are at least \$240,000 annually, and may be as much as \$360,000 annually according to Undine LLC. Opposition at 6. In its reply, PK-RE does not dispute that the pump-and-haul expenses are at least \$240,000 annually. See generally, Response. Accordingly, simple math shows that the utility would have a positive cash flow of \$135,000 to \$375,000 from January 2014 to date absent the pump-and-haul expenses—a staggering figure for a utility that serves only approximately 200 customers.

Critically, PK-RE does not even attempt to defend the pump-and-haul expenses as “reasonable and necessary to provide service” as would be required under the law for PK-RE to seek recovery of those operating expenses in rates. See 16 Tex. Admin. Code § 24.31(b). That is not surprising, as it is hard to envision a less reasonable decision than building 40+ homes in a subdivision before connecting that subdivision to a sewage treatment facility. It appears that PK-RE has been operating under the misguided view that it could simply pass on any expenses—no matter how unreasonable or unnecessary—to the ratepayers. The Commission should not allow that, even on an interim basis.

C. The Pump-and-Haul Expense Was Not Caused by Easement Issues

In its reply, PK-RE tries to blame the pump-and-haul expenses on its need for an easement to build the force main connecting the Woods of Greenshores to the sewage treatment facility. Response at 2. This argument is misdirection. The time to build the force main was not in 2015, when PK-RE claims it requested an easement, but before homes in Woods of Greenshores were built (2008-2010 timeframe) and PK-RE incurred over a million dollars in pump-and-haul expenses. As Greenshores pointed out in its opposition, Mr. Eppright controlled the Greenshores POA until 2013 and could have granted an easement at any time. Opposition at 6 n. 4. In its reply, PK-RE does not dispute or even address that fact. Moreover, PK-RE fails to inform the Commission that the Greenshores POA did offer to grant the easement under certain conditions in response to PK-RE's request.

D. PK-RE Has Failed to Justify Its Delay

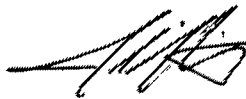
In essence, PK-RE's position is that some “emergency” exists and it cannot wait approximately seven months for a decision on its application. Based on this “emergency,” PK-RE asks the Commission to allow it to impose rates based on its unproven and questionable assertions. As the parties and the Staff have pointed out in opposing PK-RE's motion, PK-RE could have applied for a rate increase years ago. In view of its years-long delay, PK-RE cannot credibly claim

that it needs emergency relief. Any "emergency" is of PK-RE's own making and should not inure to PK-RE's benefit by allowing it to impose increased rates without due process.

I. PRAYER

For the foregoing reasons, Greenshores respectfully asks that PK-RE motion be denied. In the event that it is granted in whole or in part, Greenshores asks that any additional funds received by PK-RE based on the increased interim rates be deposited into an escrow account pursuant to the Texas Administrative Code. See 16 Tex. Admin. Code § 24.29(e)(3).

Respectfully submitted,


By: 
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CERTIFICATE OF SERVICE

I hereby certify that I have served or will serve a true and correct copy of the foregoing document via hand delivery, facsimile, electronic mail, overnight mail, U.S. mail and/or Certified Mail Return Receipt Requested to all parties on this the 5th day of April, 2017.


John Carlton