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PUC DOCKET NO. 46333

RECEIVED

APPLICATION OF PK-RE §
DEVELOPMENT COMPANY, INC. §
DBA GREENSHORES UTILITY §
SERVICES AND DBA OAK SHORES §
WATER SYSTEM FOR AUTHORITY §
TO CHANGE RATES AND TARIFFS §
IN TRAVIS COUNTY §

BEFORE THE 2016 NOV 15 PM 12: 26
PUBLIC UTILITY COMMISSION
FILING CLERK
PUBLIC UTILITY COMMISSION
OF TEXAS

INFORMATIONAL FILING

COMES NOW, PK-RE Development Company, Inc., d/b/a Greenshores Utility Services and Oak Shores Water System ("Company"), and Undine Development, LLC ("Undine"), and file this Informational Filing to accompany the rate filing previously made herein, and in support of this filing would respectfully show the following:

I. STATEMENT OF JURISDICTION

The Public Utility Commission of Texas ("Commission") has original jurisdiction over this Rate Application for customer connections located outside the City of Austin, Texas, pursuant to Texas Water Code ("TWC") § 13.042. The City of Austin has original jurisdiction over this Rate Application for customer connections located within its corporate limits pursuant to TWC § 13.042. Pursuant to TWC §§ 13.002(4-c) and 16 Texas Administrative Code ("TAC") § 24.3(19), the Company is a Class C Utility.

The Company provides water utility services to Oak Shores, Oak Shores on Lake Austin, Briarpatch, Smokey Ridge Annex and three tracts south thereof, Pearce Annex, Skishores Restaurant and Marina, West Greenshores and Pearce Road Area, Woods of Greenshores Subdivision, and Greenshores on Lake Austin (referred to together as "Water Systems"). Sewer utility services are provided to Greenshores on Lake Austin Phase I and II, and Woods of Greenshores Subdivision (referred to together as "Sewer Systems"). In total, the Company provides water utility services to 218 connections, and sewer utility services to 143 connections, under Certificate of Convenience and Necessity ("CCN") Nos. 12407 (water) and 20948 (sewer).

Although the Company is a Class C utility, it has chosen to file the rate applications under the provisions of the Texas Water Code and the Commission's rules as though it were a Class B utility.

Undine and the Company have also filed an Application for Sale, Transfer, or Merger ("STM") of the Company's CCNs and the Water and Sewer Systems, wherein Undine and the Company are seeking Commission approval of the sale of the Water and Sewer Systems to Undine. The STM Application is pending in PUC Docket No. 46150.¹ Because of the proposed sale of the Water and Sewer Systems to Undine, Undine will be participating as an interested party in this rate case.

II. BACKGROUND STATEMENT

The last rate change for the Company was filed in 2012, which resulted in a settlement with the ratepayers, the Texas Commission on Environmental Quality ("TCEQ") Public Interest Counsel, and the TCEQ Executive Director. The City of Austin exercised its original jurisdiction, and adopted a rate ordinance approving the Company's tariff and establishing rates within the City of Austin that were the same as the rates approved in the settlement agreement in TCEQ Docket No. 2013-0509-UCR, SOAH Docket No. 582-13-3907.

As a part of that Settlement Agreement, the Company agreed to not file any rate increase application for at least two years after the settlement date (September 19, 2012). The Company also agreed that for five years after the settlement date, the maximum increase it may seek in future rate applications would be 5% annually, which was to be cumulative.

Through the end of the test year, the Company has added capital investment that was not included in rate base in the prior docket. This capital investment is in the amount of \$167,713 to the water utility, which includes over \$117,000 in new intake structures and the infusion of almost \$38,000 in working cash by the Company. Also during that same time period, the

¹ *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 (pending).

Company has added capital investment in the amount of \$90,861 to the sewer utility, which includes over \$45,000 in grinder pumps and the contribution by the Company of almost \$46,000 in working cash. During the test year, the Company's expenses exceeded its revenues by \$6,984 for the water utility, and by \$158,810 for the sewer utility. The rate increases are necessary in order to have revenues to cover expenses and to provide a positive return on rate base.

In this Rate Application, the Company is requesting compensatory rates designed to recover its full cost of service and to produce a return on rate base in a three-phase rate increase. The Rate Application has been completed using the latest Class B Rate/Tariff Change Application form available from the Commission's web site. The Rate Application is based on a test year ending December 31, 2015, and is supported by the schedules and workpapers filed with the Application. An identical application has been filed with the City of Austin. Customer notices have been provided, and an affidavit attesting to the provision of notices has been filed with the Commission.

III. REQUESTED RELIEF AND EFFECTIVE DATE

The Company has based its proposed water and sewer rates on a test year ending December 31, 2015, in line with the definition in 16 TAC § 24.3(71), adjusted for only a few known and measurable changes ("Test Year"). The operating costs in the Test Year are indicative of an ongoing level of costs to operate and maintain the facilities used and useful in providing water and wastewater service. The current rates, and the proposed rates, are calculated on a consolidated basis that corresponds with the combined operations and management for the systems.

The Company proposes to increase the water and sewer rates on the first and second anniversaries of the effective date of the Phase I rates. The phased increase in rates will allow the Company to cover its expenses and produce a return in incremental steps that will also reduce the impact on the customers.

The Company seeks an overall Phase I increase in annual revenues of approximately \$80,422 (water) and \$66,577 (sewer). The additional annual increase in revenues for Phase II is \$20,107 (water) and \$16,644 (sewer). Additional annual increases in revenue for Phase III are \$52,678 (water) and \$141,587 (sewer).

The proposed effective date of Phase I is November 25, 2016, which is the first day of the Company's billing cycles and at least 35 days after required notice in compliance with Commission rules at 16 TAC § 24.22(d)(1). The effective date for the Phase II rates is proposed to be November 25, 2017, and Phase III rates are proposed to go into effect on November 25, 2018.

The Company is not seeking any other changes to its tariff. The Company is seeking to have the Commission determine its consolidated rate base amount during the review of this application.

IV. PARTIES AFFECTED

The Rate Application affects retail water and sewer utility customers within the areas described above in Travis County, Texas. Part of the service area is within the corporate boundaries of the City of Austin, Texas, which has original jurisdiction over retail water and wastewater rates therein pursuant to TWC § 13.042.

V. FILING OVERVIEW

On October 12, 2016, the Company filed its rate applications, which consisted of the following:

1. Class B Rate/Tariff Change Application for Water CCN No. 12407 and all schedules;
2. Class Rate/Tariff Change Application for Sewer CCN No. 20948 and all schedules;
3. Affidavit/Certification of Application;
4. Notice of Proposed Water and Sewer Rate Increases sent to customers; and
5. Annual Report filed on October 12, 2016.

As noted above, the Company has also filed an Application for Sale, Transfer, or Merger of a Retail Public Utility, stating its intent to sell all of the Water Systems under CCN No. 12407 and all of the Sewer Systems under CCN No. 20948, to Undine Development, LLC. The Application has been docketed as PUC Docket No. 46150. On October 13, 2016, the STM Application was referred to the State Office of Administrative Hearings. The Company and Undine intend to jointly prosecute the rate applications in order to have the rates in place prior to the closing of the STM transaction.

VI. CONTACT INFORMATION AND AUTHORIZED REPRESENTATIVES

The Company's contact person and business address is:

Russell Eppright
500 N. Capital of Texas Highway, Bldg 1, Suite 125
Austin, TX 78746
(512) 347-1530 office
russell@epprighthomes.com

Undine's contact persons are:

Georgia N. Crump
Jamie L. Mauldin
Lloyd Gosselink Rochelle & Townsend, P.C.
816 Congress Avenue, Suite 1900
Austin, TX 78701
(512) 322-5832
gcrump@lglawfirm.com

VII. RECOVERY OF RATE CASE EXPENSES

Pursuant to the Texas Water Code and 16 TAC § 24.33, Company seeks to recover all reasonable and necessary rate case expenses that it incurs in connection with the Application. The Company proposes to recover reasonable and necessary rate case expenses through a surcharge over a period to be determined.

VIII. NOTICE

Pursuant to 16 TAC § 24.22(d), the Company has provided notice of this Rate Application to all customers of the Company affected by the rate change, and to the Office of

Public Utility Counsel. Notice was mailed separately to each customer. The Company has also mailed separate notice to the City of Austin, Texas. The Company provided notice on the Commission-approved form and included instructions on how a ratepayer may file a protest.

The Company has provided proof of notice pursuant to Commission rules at 16 TAC § 24.22(b)(5) upon completing notice, consisting of an affidavit attesting to notice completion.

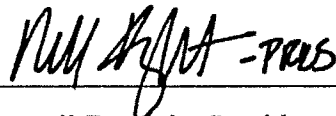
IX. PRAYER

WHEREFORE, PREMISES CONSIDERED, the Company and Undine respectfully request approval of the proposed rate changes contained in the Application to be effective November 25, 2016 for Phase I, November 25, 2017 for Phase II, and November 25, 2018 for Phase III. Additionally, the Company requests all other and further relief, general or special, at law or in equity, to which the Company may show itself to be justly entitled.

Respectfully submitted,

PK-RE DEVELOPMENT COMPANY, INC.

By:



Russell Eppright, President

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ATTORNEYS FOR UNDINE DEVELOPMENT, LLC

CERTIFICATE OF SERVICE

I hereby certify that true and correct copy of the foregoing document has been served on all parties of record on November 15, 2016, in accordance with 16 Tex. Admin. Code § 22.74.



Handwritten signature of Georgia N. Crump in black ink, written over a horizontal line.

GEORGIA N. CRUMP