



Control Number: 46948



Item Number: 6

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**DOCKET NO. 46948**

**APPLICATION OF VINEYARD  
RIDGE, LLC TO OBTAIN A WATER  
CERTIFICATE OF CONVENIENCE  
AND NECESSITY IN GILLESPIE  
COUNTY**

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

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PUBLIC UTILITY COMMISSION  
FILING CLERK

**COMMISSION STAFF'S RECOMMENDATION ON ADMINISTRATIVE  
COMPLETENESS**

**COMES NOW** the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this Recommendation on Administrative Completeness in response to Order No. 1 and would show the following:

**I. BACKGROUND**

On March 15, 2017, Vineyard Ridge, LLC (Vineyard Ridge) filed an application to obtain a water Certificate of Convenience and Necessity (CCN) in Gillespie County.

On March 20, 2017, the administrative law judge (ALJ) issued Order No. 1 which required that Staff file comments on the administrative completeness of Westwood's application and proposed notice by April 17, 2017. This pleading is therefore timely filed.

**II. COMMENTS ON ADMINISTRATIVE COMPLETENESS**

Staff has reviewed Westwood's petition and, as supported by the attached memorandum of Fred Bednarski III of the Water Utilities Division, Staff recommends that the application be found administratively incomplete. Staff noted several administrative and technical deficiencies as detailed in the attached memorandum.

Staff recommends that Westwood be required to cure the deficiencies by May 17, 2017, and that Staff be required to file a supplemental recommendation on administrative completeness by June 16, 2017.

**III. PROPOSED PROCEDURAL SCHEDULE**

Due to the deficiencies in the application, Staff does not recommend a procedural schedule for evaluation of the merits at this time.

#### **IV. CONCLUSION**

Staff respectfully requests the issuance of an order consistent with the above recommendation.

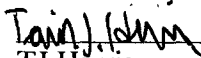
Dated: April 17, 2017

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF  
TEXAS  
LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

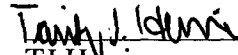
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**DOCKET NO. 46948**

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on April 17, 2017 in accordance with 16 TAC § 22.74.

  
\_\_\_\_\_  
TJ Harris

## **PUC Interoffice Memorandum**

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**To:** TJ Harris  
Legal Division

**Thru:** Lisa Fuentes, Manager  
Water Utilities Division

**From:** Fred Bednarski III, Financial & Managerial Review Specialist  
Water Utilities Division

**Date:** April 17, 2017

**Subject:** Docket No. 46948, Staff Recommendation for Application of Vineyard Ridge, LLC, to Obtain a Water Certificate of Convenience and Necessity (CCN)

On March 15, 2017 Vineyard Ridge, LLC, (Applicant) filed an application to obtain a water CCN in Gillespie County. The total area being requested includes approximately 660 acres and 0 current customers. This application is being reviewed pursuant to the criteria to Tex. Water Code §§ 13.241-13.250 (TWC) and 16 Tex. Admin. Code §§ 24.101-24.107 (TAC).

Based on a review of the information in the application, Staff recommends that the application be deemed insufficient for filing and found administratively incomplete due to the deficiencies detailed below.

### **Mapping**

The digital mapping data for the requested area is not in the same location as shown on hard copy maps. Staff recommends the Applicant work with PUC's mapping staff to resolve the digital mapping data and submit the following items to resolve the mapping deficiencies.

### **Technical**

The Applicant must provide proof that plans and specifications for the proposed drinking water system have been submitted to the TCEQ.

### **Financial**

The Applicant must provide the following financial information:

- A historical income statement of Vineyard Ridge, LLC for fiscal year (FY) 2016, as well as current balance sheet and income statement for FY2015, FY2014, FY2013, FY2012.
- Financial statements (income statements and balance sheets) for National Land Partners Holdings, LLC or National Land Partners III, LLC for FY 2017, FY 2016, FY2015, FY2014, and FY2013.
- Completed 5 year projected balance sheet and income statements for Vineyard Ridge, LLC to operate the new system based on an active projected connection count and the proposed tariff rate.

Separate from the above referenced information necessary for administrative completeness, the following information must be submitted in order for staff to complete their financial and technical review.

### **Technical**

- Proof that the Drought Contingency Plan has been submitted to and approved by TCEQ.

## **Financial**

Staff requests the following information for its financial review:

- An Organizational Chart and list of all directors/employees, and description of their duties for Vineyard Ridge, LLC, National Land Partners Holdings, LLC and National Land Partners III, LLC.
- A detailed description of the relationship between each of the corporations. The description should explain how the relationships will serve the public interest.
- A list of services the affiliates and proof that the cost of service is reasonable and necessary for the Applicant to provide water service that meets the requirements of TWC §13.185(e).
- Documentation supporting the reasonableness of the assumption that all 160 lots will be sold in 18 months per the Business Plan Projected Income and Cash Flow Statements.
- Documentation reflecting any completed lot sales to date and contracts for future sales, if any.
- An updated Business Plan Projected Income Statement based on the status of application and current progress of the development. The updated projections should include a capital improvement plan, including a budget and an estimated timeline for construction of all facilities necessary to provide full service to the requested area, keyed to a map showing where such facilities will be located to provide service.
- Invoices or other documentation showing that the Tap Fee of \$1,500.00 in the proposed tariff is a reasonable amount.
- A breakdown for each of the O & M Expense amount estimates: operations, electricity, chemicals, incidentals, repairs/maintenance, and supplies.
- A breakdown of supporting estimates for the Property Taxes expense, Professional Fees, and Annual Depreciation Expense year estimated cost amounts to support the proposed tariff rate.
- If the lots are not sold in 18 months as projected in the Business Plan, please provide financial proof that monies are available from National Land Partners Holdings, LLC or National Land Partners III, LLC to cover cash shortages over the first 5 year periods of operations.
- Copies of all notes and amortization schedules reflecting monthly payments with principal and interest detail for the related to the internal interest expense indicated in projected income and cash flow statements.
- Copy of the promissory note for the Crockett Bank Loan of \$2,391,900 and the loan amortization schedule reflecting monthly payments with principal and interest detail.
- Copies of Vineyard Ridge, LLC bank statements supporting the \$1,800,000 of cash and cash equivalents availability and copies of the deposit slips.
- Copies of the notes and amortization schedules reflecting monthly payments with principal and interest detail for the following liabilities listed on Vineyard Ridge, LLC's Balance Sheet as of 12/25/2016: NLP Summit Springs, LLC \$832,307.65, Lometa Land Partners, LLC \$353,162.50, Lampasas Land Partners, LLC \$162,715.29, LSLP Barton Creek, LLC \$120,366.67, Mesa View Ranch, LLC \$200,611.11.
- Documentation supporting the selling expense amount \$2,752,537 and administrative expense amount \$1,953,413 reported in the Business Plan Cash Flow and Projected Income Statement. Please provide detailed explanation for the relevancy of these expenses to utility service and associated rates.