



Control Number: 47389



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Randall B. Wilburn, P.E.  
PUBLIC UTILITY COMMISSION  
FILING CLERK

September 13, 2017

Mr. Landon Lill, Staff Attorney  
Legal Division  
Public Utility Commission of Texas  
PO Box 13326  
Austin, Texas 78711-3326

Re: Application of Forest Glen Utility Company to Amend its Sewer Certificate of Convenience and Necessity in Medina County; Docket No. 47389; Response to Staff's RFI

Dear Landon:

I am responding to the staff's request for information as outlined in the PUC Interoffice Memorandum dated August 7, 2017. I believe the attached should be sufficient to declare the application Administratively Complete under Section 24.8(a) of Title 16 of the Texas Administrative Code (the "PUC Rules"). With the attached, the application does not have a material deficiency that would prevent a declaration of administrative completeness.

As requested, I am enclosing the following:

1. Attachments 5.G., 5.I., and 5.J., which were inadvertently missing from the original application;
2. Clarification regarding funding for the additional collection lines;
3. Financial information as requested.

Please let me know if you any additional questions or requests.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. Wilburn", written over a horizontal line.

Randall B. Wilburn

## **Attachment 5.G**

**Effect of Granting a Certificate Amendment on the Applicant** - Applicant will be able to provide service to the neighboring landowner, who requested service. No other service is available in the area. Applicant will benefit by having a greater service area and number of customers, improving the Applicant's ability to provide continuous and adequate service. Issuing the amendment to the Applicant will promote the Commission's policy on regionalization.

**Effect of Granting a Certificate Amendment on any retail public utility of the same kind already service the approximate area** - No other retail public utility besides the Applicant provides sewer service in the approximate area.

**Effect of Granting a Certificate on landowners in the requested area.** Applicant will be able to provide sewer service to the landowner in the requested area, who requested service. Without service from the Applicant, the landowner will not be able to develop the property as desired. The landowner would have to develop larger lots with septic systems, which pose a greater environmental risk to the landowner's property.

## **Attachment 5.I.**

### **Ability to Provide Adequate Service**

Applicant is an existing, certificated and TCEQ-permitted sewer utility providing continuous and adequate service to the area. The Applicant has the requisite experience and utility knowledge to provide service to the current and projected density of the requested area. The landowner proposes to change the land use from rural agriculture to single family residential, and Applicant has sufficient ability and capacity to provide service to meet the needs of the landowner and the proposed change in land use for the requested area.

## **Attachment 5.J.**

### **Effect on the Land**

Granting the CCN Amendment will allow the Applicant to provide centralized wastewater collection and treatment, which will protect the land from possible contamination from leaky septic systems.

## **Forest Glen Utility, CCN 2170, Application to Amend CCN**

### **Attachment 1**

## **Forest Glen Utility, CCN 2170, Application to Amend CCN**

Forest Glen Utility (FGU) will utilize three sources of funds to pay for the expansion of the collection system and wastewater treatment plant (WWTP). The mix of equity, builder fees, and loans will vary depending the economic conditions that exist at the time funding is required. The following describes the sources and uses of funds to pay for the WWTP, collection system, and operating capital required for the new addition.

General Note: Developer / Builder Fees are paid to FGU by the Developer (see Attachment 2). When the lots are sold to Builders the lot price includes a fee for infrastructure. These fees are used by the Developer to cover the costs of building infrastructure. The Developer declares this revenue as income and pays taxes on it. FGU collects a Developer / Builder Fee on per lot basis to cover a portion of the capital costs of the new plant, expansion of the existing plant and shortfalls in collected Rates that result from fewer than required connected customers in the early years of operation. FGU determines which portion of these revenues are declared as CIAC and which are income that becomes reinvested in its capital plant.

### **For the sewer collection system:**

The mix of equity, builder fees, and loans will vary depending the economic conditions that exist at the time funding is required.

1. CIAC. The majority of the sewer collection system will be constructed and conveyed to FGU by the Developer and or Builders. FGU does not anticipate repaying the CIAC to the Developer and Builders, but reserves that right.
2. Equity. FGU may negotiate with the Developer and Builders to utilize its own equity for a portion of the sewer collection system. This is will be determined with a subsequent rate filing if the rate can support the inclusion of additional ratebase and still be affordable and competitive in the area.

### **For the wastewater treatment plant (WWTP).**

The mix of equity, builder fees, and loans will vary depending the economic conditions that exist at the time funding is required.

1. CIAC. Builder Fees which are paid to FGU by the Developer when the lots are sold to Builders and are included in the price of the lots sold and declared as CIAC. These fees are used to pay for the WWTP and cover the shortfalls collected in Rates that result from fewer than required connected customers to cover costs and to provide for WWTP repairs and expansions. FGU does not anticipate repaying the CIAC to the Developer and Builders, but reserves that right.
2. Equity. FGU's shareholders will contribute equity either through retained earnings or through additional paid in capital.
3. Debt. FGU has obtained debt to pay for plant expansions and cover operating shortfalls (see Attachment 1). FGU anticipates that it will obtain additional debt to pay for a portion of the cost of the plant.

**Forest Glen Utility, CCN 2170, Application to Amend CCN**  
Attachment 1

**LOAN REQUEST SUMMARY**

Principal	Loan Date	Maturity	Loan No	Cap. Ctr	Account	Officer	Initials
\$225,000.00	01-10-2017	07-10-2018	1005308428	31	7012481	ST	
Borrower: FOREST GLEN UTILITY COMPANY 18780 BANGARA RD STE 101 HOUSTON, TX 77022							
Lender: Lone Star Capital Bank, N.A. 5100 N. Loop East 150 N. Loop 1004 East San Antonio, TX 78207 (210) 466-4510							

**IRREGULAR PAY LOAN**  
(Variable Rate)

	Financed	In Cash
AMOUNT REQUESTED	\$225,000.00	
PREPAID FINANCE CHARGES	0.00	
SECURITY INTEREST CHARGES		
DCI Registration Fee		15.00
NOTE AMOUNT	\$225,000.00	\$15.00

**PAYMENT CALCULATION**

Interest Method	360/360
Discounted Date	01-18-2017
First Payment Date	03-15-2017
Loan Term	07-10-2018
Credit Insurance	None

Payment Schedule: Borrower's payment schedule consists of the following: 5 monthly consecutive payments beginning January 15, 2017, with interest calculated on the unpaid principal balance at an interest rate based on the Prime rate as published in the Wall Street Journal (currently 4.750%) plus a margin of 2.00% (percentage points), resulting in an interest rate of 6.75% per annum based on a year of 360 days. Quarterly consecutive payments of the principal amount of \$27,000.00 will begin July 10, 2017, with interest calculated on the unpaid principal balance at an interest rate based on the Prime rate as published in the Wall Street Journal (currently 4.750%) plus a margin of 2.00% (percentage points), resulting in an interest rate of 6.75% per annum based on a year of 360 days. The estimated first payment is based on the assumption that all payments will be made monthly as scheduled and that the interest rate remains the same. The actual first payment will be for all interest and principal payments together with any other required payments under the Note.

APR	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS
5.800%	\$12,801.68	\$225,000.00	\$237,801.68

**COLLATERAL** 20% Financing State required

**TRANSACTION NUMBER** 440

**NOTICE:** This Loan Request Summary is for informational purposes only and does not obligate Lender in any way to make this loan or any other loan to Borrower. The fees and charges listed herein are estimates only, and if a loan is made, different or additional fees and charges may be imposed.

**Forest Glen Utility, CCN 2170, Application to Amend CCN**  
Attachment 2



#### **IV. COVENANTS, WARRANTIES AND REPRESENTAT**

**4.01 REPRESENTATIONS, WARRANTIES, AND COVENANTS OF PURC**  
warrants, covenants and agrees with Seller as of the Effective Date hereof and as of the Closing  
the Lots that:

- (a) Purchaser has the full right, power and authority to purchase the Lots from S  
any person executing this Agreement on behalf of the Purchaser is fully authorized t  
actual knowledge, this Agreement when executed and delivered, shall constitute a leg  
enforceable in accordance with its terms.
- (b) Without the prior written consent of Seller, Purchaser shall not place any imp  
or allow any liens or encumbrances to be created or placed against any such Lots (exec  
Agreement) prior to closing thereon.
- (c) To the current, actual knowledge of Purchaser, Purchaser's execution, deliv  
Agreement is not prohibited by and will not constitute a default under any other ag  
instrument to which Purchaser is a party.
- (d) Purchaser is duly authorized to do business in the State of Texas and, to t  
Purchaser, Purchaser has full power, capacity, authority, and legal right to execute and  
all required licenses and permits to perform all transactions (including the execution  
required of Purchaser for the performance of this Agreement.

(c) Purchaser has received no actual notice of any litigation, pending or threatened and adverse effect on Purchaser's ability to perform its obligations under this Agreement

(g) All landscape irrigation within the Subdivision must utilize recycled water and a tap for grey water irrigation will be made available at each Lot at the time of plat

(h) Purchaser shall pay all applicable connection fees to the appropriate entity at

The representation and warranties of Purchaser set forth in this Section 4.01 shall be recited and shall survive the closing of same for a period of one (1) year.

**Forest Glen Utility**  
**CCN Application - Final**

Update 9/12/17

<b>PROJECTED INCOME STATEMENT</b>						
Year 1 = 2017	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>METER NUMBER</b>						
Existing Number of Taps	149	215	281	347	407	
New Taps per Year	66	66	66	60	40	
Total Meters at Year End	215	281	347	407	447	
<b>METER REVENUE</b>						
Fees Per Meter	540	788	827	869	912	
Cost Per Meter (Operating Expenses)	645	494	386	386	392	
Operating Revenue Per Meter	(105)	294	441	482	520	
<b>GROSS WATER REVENUE</b>						
Fees (Utility Rate Income) <sup>1</sup>	116,100	221,372	287,035	353,500	407,654	1,385,660
Other (Builder Connection Fee)	194,700	194,700	177,000	118,000	118,000	802,400
Gross Income	310,800	416,072	464,035	471,500	525,654	2,188,060
<b>OPERATING EXPENSES</b>						
General & Administrative	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other **	-	-	-	-	-	-
Total Operating Expenses	-	-	-	-	-	-
<b>NET INCOME <sup>2</sup></b>	310,800	416,072	464,035	471,500	525,654	2,188,060

\*\* Other includes Depreciation and Taxes

Notes:

1) FGU's current rate is a Flat Rate of \$35. This Rate is grossly underpriced. FGU Sewer Rates for the this CCN Amendment are based on a Flat Fee of \$66 per month. FGU expects to submit a rate increase of 5% per year for 3 years and then 3% thereafter.

2) Net Income losses includes Depreciation, a non-cash expense. On a cash basis the Net Income for Years 1, 2 and 3 respectively is (\$82,000) and (\$45,800). The Net Income for Year 3, 4, and 5 is positive.

Forest Glen Utility  
CCN Application - Final

Update

9/12/17

PROJECTED BALANCE SHEETS						
Year 1 = 2018	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>CURRENT ASSETS</b>						
Cash	128,152	97,038	298,114	200,000	271,907	333,304
Accounts Receivable	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Income Tax Receivable	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	128,152	97,038	298,114	200,000	271,907	333,304
<b>FIXED ASSETS</b>						
Land	80,000	80,000	80,000	80,000	80,000	80,000
Collection/Distribution System	2,087,931	2,114,931	2,114,931	2,665,511	2,695,052	2,695,052
Buildings	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Less: Accum. Depreciation or Reserves	(421,980)	(480,596)	(539,212)	(614,002)	(691,524)	(769,046)
Total	1,745,951	1,714,335	1,655,719	2,131,509	2,083,528	2,006,006
<b>TOTAL ASSETS</b>	<b>1,874,103</b>	<b>1,811,373</b>	<b>1,953,833</b>	<b>2,331,509</b>	<b>2,355,435</b>	<b>2,339,310</b>
<b>CURRENT LIABILITIES</b>						
Accounts Payable	-	-	-	-	-	-
Notes Payable, Current	128,666	-	70,959	75,216	79,729	84,513
Accrued Expenses	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	128,666	-	70,959	75,216	79,729	84,513
<b>LONGTERM LIABILITIES</b>						
Notes Payable, Long-term	-	-	(70,959)	253,825	174,096	89,584
Other (CIAC)	1,051,601	1,051,601	1,051,601	1,051,601	1,051,601	1,051,601
<b>TOTAL LIABILITIES</b>	<b>1,180,267</b>	<b>1,051,601</b>	<b>1,051,601</b>	<b>1,380,642</b>	<b>1,305,426</b>	<b>1,225,697</b>
<b>OWNER'S EQUITY</b>						
Paid in Capital	866,795	866,795	866,795	1,016,795	1,016,795	1,016,795
Retained Equity	(172,959)	(107,023)	35,437	(65,928)	33,214	96,818
Other	-	-	-	-	-	-
Current Period Profit or Loss	-	-	-	-	-	-
<b>TOTAL OWNER'S EQUITY</b>	<b>693,836</b>	<b>759,772</b>	<b>902,232</b>	<b>950,867</b>	<b>1,050,009</b>	<b>1,113,613</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,874,103</b>	<b>1,811,373</b>	<b>1,953,833</b>	<b>2,331,509</b>	<b>2,355,435</b>	<b>2,339,310</b>
WORKING CAPITAL	n/a	-	-	-	-	-
CURRENT RATIO	n/a	#DIV/0!	4	3	3	4
DEBT TO EQUITY RATIO	170%	138%	117%	145%	124%	110%
EQUITY TO TOTAL ASSETS	37%	42%	46%	41%	45%	48%

Forest Glen Utility  
CCN Application - Final

Update

9/12/17

PROJECTED EXPENSES STATEMENT						
Year 1 = 2017	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>GENERAL/ADMINISTRATIVE EXPENSES</b>						
Salaries	10,589	10,801	14,652	19,877	26,966	82,885
Office Expense	551	562	573	585	596	2,867
Computer Expense	-	-	-	-	-	-
Auto Expense	-	-	-	-	-	-
Insurance Expense	2,466	2,515	2,566	2,617	2,669	12,833
Telephone Expense	255	260	265	271	276	1,327
Utilities Expense	-	-	-	-	-	-
Depreciation Expense	-	-	-	-	-	-
Property Taxes	3,386	2,963	2,716	6,483	6,167	21,716
Professional Fees	17,060	17,401	17,749	18,104	18,466	88,778
Other (SG&A)	21,161	20,457	23,984	26,748	28,926	121,276
Total	55,468	54,959	62,506	74,684	84,066	331,683
% Increase Per Year						
<b>OPERATIONAL EXPENSES</b>						
Salaries	-	-	-	-	-	-
Auto Expense	-	-	-	-	-	-
Utilities Expense	6,400	6,400	6,528	7,657	8,982	35,967
Depreciation Expense	-	-	-	-	-	-
Repair & Maintenance	70,078	65,064	79,132	86,390	88,117	388,782
Supplies	5,900	6,018	7,059	8,280	9,713	36,970
Other (Pump & Haul, Misc)	4,262	4,630	4,723	4,817	4,913	23,345
Total	86,640	82,112	97,442	107,144	111,726	485,064
% Increase Per Year		-5%	19%	10%	4%	
<b>ASSUMPTIONS</b>						
Interest Rate/Terms			-	24,000	19,742	43,742
Utility Cost/gal.	\$ 0.014	\$ 0.011	\$ 0.010	\$ 0.010	\$ 0.010	
Depreciation Schedule						

Forest Glen Utility  
CCN Application - Final

Update

PROJECTED SOURCES AND USES OF CASH STATEMENTS						
Year 1 = 2017	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>SOURCES OF CASH</b>						
Beginning Cash	67,326	128,152	97,038	298,114	200,000	790,630
Depreciation (if Funded)	57,150	58,616	58,616	74,790	77,522	326,694
Loan Proceeds	225,000	-	-	400,000	-	625,000
Other (Equity)	-	-	-	-	-	-
Total Sources	349,476	186,768	155,654	772,904	277,522	1,742,324
<b>USES OF CASH</b>						
Net Loss	-	-	-	-	-	-
Principle Portion of Pmts.	(96,334)	(128,666)	-	(70,959)	(75,216)	(371,175)
Fixed Asset Purchase	(180,000)	(27,000)	-	(550,580)	(29,541)	(787,121)
Reserve	-	-	-	-	-	-
Other	-	-	-	-	-	-
TOTAL USES	(276,334)	(155,666)	-	(621,539)	(104,758)	(1,158,296)
NET CASH FLOW	73,142	31,102	155,654	151,365	172,765	584,028
<b>DEBT SERVICE COVERAGE</b>						
Cash Available for Debt Service (CADS)	73,142	31,102	155,654	151,365	172,765	584,028
Net Income (Loss)	310,800	416,072	464,035	471,500	525,654	2,188,060
Depreciation , or Reserve Interest	-	-	-	-	-	-
TOTAL	383,942	447,173	619,689	622,865	698,419	2,772,088
<b>REQUIRED DEBT SERVICE (RDS)</b>						
Principle Plus Interest	105,426	136,129	-	94,959	94,959	431,472
<b>DEBT SERVICE COVERAGE RATIO</b>						
CADS Divided by RDS	3.64	3.28	#DIV/0!	6.56	7.35	

## HISTORICAL BALANCE SHEETS

	CURRENT YEAR (A)	A-1 2016 YEAR	A-2 2015 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
<b>CURRENT ASSETS</b>						
Cash		67,326 00	32,697			
Accounts Receivable			2,099			
Inventories						
Income Tax Receivable						
Other						
Total		67,326.00	34,795			
<b>FIXED ASSETS</b>						
Land		80,000 00	80,000			
Collection/Distribution System		1,388,502 00	1,275,754			
Buildings						
Equipment WWTP		519,429 00	369,023			
Other						
Less: Accum. Depreciation or Reserves		364,830.00	64,446			
Total		1,557,755 00	1,659,330			
TOTAL ASSETS		1,623,101 00	1,694,125			
<b>CURRENT LIABILITIES</b>						
Accounts Payable		0 00	662			
Notes Payable, Current		0 00	65,933			
Accrued Expenses						
Other						
Total		0 00	66,595			
<b>LONGTERM LIABILITIES</b>						
Notes Payable, Long-term						
Other		1,051,601 00	1,244,985			
TOTAL LIABILITIES		1,051,601 00	1,311,580			
<b>OWNER'S EQUITY</b>						
Paid in Capital		866,795 00	371,575			
Retained Equity		-227,969 00	10,970			
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY		638,826 00	382,546			
TOTAL LIABILITIES AND EQUITY		1,623,101 00	1,694,125			
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO						
EQUITY TO TOTAL ASSETS						

## HISTORICAL INCOME STATEMENT

	CURRENT YEAR (A)	A-12016 YEAR	A-22015 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
METER NUMBER						
Existing Number of Taps		98 00	48			
New Taps per Year		51 00	50			
Total Meters at Year End		149 00	98			
METER REVENUE						
Fees Per Meter		53,171 00	16,164			
Cost Per Meter		258,247 00	70,230			
Operating Revenue Per Meter		-205,076 00	(54,066)			
GROSS WATER REVENUE						
Fees		208,200 00	177,980			
Other						
Gross Income		3,124 00	123,914			
OPERATING EXPENSES						
General & Administrative		27,183 00	26,080			
Interest		2,879 00				
Other		12 00				
NET INCOME		-26,950 00	97,834			



## HISTORICAL EXPENSES STATEMENT

	CURRENT YEAR (A)	A-1 <sup>2016</sup> YEAR	A-2 <sup>2015</sup> YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
<b>GENERAL/ADMINISTRATIVE EXPENSES</b>						
Salaries		6,976 00	5,689 00			
Office Expense		361 00				
Computer Expense						
Auto Expense						
Insurance Expense		2,466 00	2,487 00			
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees		16,726 00	17,388 00			
Other		654 00	565 00			
<b>Total</b>		27,183 00	26,080 00			
% Increase Per Year	0 00%	0 00%	0 00%	0 00%	0 00%	0 00%
<b>OPERATIONAL EXPENSES</b>						
Salaries		31,000 00	28,480 00			
Auto Expense						
Utilities Expense		11,360 00	4,884 00			
Depreciation Expense		168,804 00	17,823 00			
Repair & Maintenance		33,966 00	11,513 00			
Supplies						
Other		13,117 00	7,531 00			
<b>Total</b>		258,247 00	96,310 00			
% Increase Per Year	0 00%	0 00%	0 00%	0 00%	0 00%	0 00%
<b>ASSUMPTIONS</b>						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						