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Public Utility Commission of Texas

Memorandum

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TO: Chairman DeAnn T. Walker
Commissioner Arthur C. D'Andrea
Commissioner Shelly Botkin

FROM: Stephen D. Journey, Commission Counsel

DATE: October 29, 2018

SUBJECT: Commission's Request for More Information Based on October 12, 2018 Open Meeting Discussion Regarding Docket No. 47680, *Application of Bolivar Utility Services, LLC for Authority to Change Sewer Rates*

The purpose of this memorandum is to identify the questions to submit to Bolivar Utility Services, LLC regarding its financial capabilities and additional sources of revenue in accordance with the Commission's discussion at the October 12, 2018 open meeting. Commission Advising recommends that the Commission submit the following questions to Bolivar:

Questions regarding Bolivar

1. How can Bolivar not collect 70% of its revenue requirement and remain a viable operation that can provide continuous and adequate service to its customers when its rates cannot even cover its operating expenses?
2. Has Bolivar been operating in this revenue-short position since its last rate case in 2015?
3. What amount of loans has Bolivar taken from its parent and what are the terms of repayment, including repayment obligations? How often has it received such loans and in what amounts?
4. What sources of revenue, other than rates, has been available to Bolivar and what is the amount of that revenue? What assurance that such revenue sources will remain at those levels in the next few years? Is any of this revenue restricted to certain uses, and if so, what are those uses?

Questions regarding Allco LLC

1. What is Allco's financial ability and standing?
2. Does Allco have a standing line of credit to cover any loans to Bolivar? If so, what are the terms of that credit line. If not, what funds are available to make loans to Bolivar? What assurance exists that such funds will be available in the future?
3. How much can Allco loan Bolivar in any one year? In total?

Questions regarding contributions in aid of construction

4. What is the nature of Bolivar's identified developer contributions in aid of construction? What are the annual amounts collect over the past four years and who is paying them? What have these fees been used for? Are there any restrictions on the use of these funds?
5. How much money has been collected by Bolivar for line extension fees over the past four years and who has paid them? What have these fees paid for? Are there any restrictions on the use of these fees? What assurance exists that such payments will continue in the future?
6. How much money has been collected by Bolivar for low pressure installation fees and who has paid them? What are these funds used for? Are there any restrictions on the use of such funds? What assurances exist that such payments will continue in the future?