



Control Number: 47897



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APPLICATION OF FOREST GLEN §
UTILITY COMPANY TO CHANGE § PUBLIC UTILITY COMMISSION
RATES § OF TEXAS

PUBLIC UTILITY COMMISSION
BEFORE THE CLERK

**FOREST GLEN UTILITY COMPANY'S RESPONSE TO COMMISSION STAFF'S
SECOND REQUEST FOR INFORMATION**

TO THE PUBLIC UTILITY COMMISSION STAFF, by and through their attorney of record Oshea Spencer, Legal Division, Public Utility Commission of Texas, P.O. Box 13326, Austin, Texas 78711-3326.

COMES NOW, Forest Glen Utility Company ("Applicant" or "FGU") and submits this Response to the Public Utility Commission Staff's ("Commission or PUC Staff") Second Request for Information pursuant to Tex. R. Civ. P. 190 through 198 and 16 Tex. Admin. Code § 22.144 ("TAC"). Pursuant to 16 TAC § 22.144(c)(2)(F), these responses may be treated as if they were filed under oath.

Respectfully submitted,

Helen S. Gilbert
State Bar No. 00786263
Randall B. Wilburn
State Bar No. 24033342
GILBERT WILBURN PLLC
7000 N. MoPac Expwy, Suite 200
Austin, Texas 78731
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By:

Helen S. Gilbert

Helen S. Gilbert

**ATTORNEYS FOR FOREST GLEN
UTILITY COMPANY**

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CERTIFICATE OF SERVICE

I hereby certify that I have or will serve a true and correct copy of the foregoing document via hand delivery, facsimile, electronic mail, overnight mail, U.S. mail, or Certified Mail Return Receipt Requested on all parties on the 6th of June 2018.

Helen S. Gilbert

Helen S. Gilbert

**RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO FOREST GLEN UTILITY COMPANY**

QUESTION NOS. STAFF 2-1 THROUGH 2-25

Staff 2-1: Please provide a list of any person or corporation meeting the definition of affiliated interest or affiliate with regard to Forest Glen Utility. The definition for "Affiliated interest or affiliate" is found in 16 Tex. Admin. Code (TAC) § 24.3(6).

RESPONSE: Hausman Holdings, LLC and BVRT, LP.

Staff 2-2: For services provided by any entity or person listed in the previous request having financial transaction with Forest Glen Utility, provide the following (please include all invoices billed and paid to all entities other than Forest Glen Utilities):

- a) Provide a list of all transactions;
- b) Provide the dates of the transaction;
- c) Provide the amount of the transaction;
- d) Provide the account numbers affected by the transaction;
- e) Provide the account name affected by the transaction;
- f) Provide the justification of the reasonableness and necessity of all affiliated transactions in the provision of sewer service by Forest Glen Utility as required by Texas Water Code § 13.185(e).

RESPONSE:

- a) The transactions and all associated information were previously provided in Response to Oral Arguments (PUC Interchange Filing No. 92 (Feb. 23, 2018), pp. 104 through 115).
- b) The transactions and all associated information were previously provided in our Response to Oral Arguments (PUC Interchange Filing No. 92 (Feb. 23, 2018), pp. 104 through 115).
- c) The transactions and all associated information were previously provided in our Response to Oral Arguments (PUC Interchange Filing No. 92 (Feb. 23, 2018), pp. 104 through 115).
- d) The account number is 634 Management.
- e) The account name is 634 Management.
- f) Management, bookkeeping, reporting, and daily site visits are all necessary functions of operating the utility. The fees charged by Hausman Management are at or below market rates for the services provided.

Staff 2-3: Please provide documentation indicating if McMillin Texas Development, LLC charges the purchasers of a home closing fees or any other fee for utility connection or utility impact fees.

RESPONSE: McMillin Texas Development, LLC does not have any contractual relationship with FGU, and FGU has no knowledge of McMillin's home closing fees.

Staff 2-4: Please provide a detailed explanatory narrative describing the relationships

between 320 Potranco Ranch, LLC, Mr. Harry Hausman, Forest Glen Utility, and Yancey Water Company.

RESPONSE: 320 Potranco Ranch is a real estate subdivision. Mr. Harry Hausman is the managing member of 320 Potranco. Yancey Water Supply Corporation is a third-party, non-profit water supply corporation that is a standalone water utility with no affiliate connection to either 320 Potranco Ranch, LLC, Mr. Harry Hausman, or FGU.

Staff 2-5: Please provide Forest Glen Utility's procedures to account for reuse water production expenditures and sewer service expenditures.

RESPONSE: All expenses and revenues are separated by Class (WWTP or Reuse) when entered into the accounting system. Where not directly billed to a Class, the items are allocated if appropriate. The allocation is based on a ratio of total asset book value for each Class.

Staff 2-6: Please explain how all the effluent is disposed of once all the effluent leaves the wastewater treatment plant.

RESPONSE: Treated effluent is sent to storage. If sufficient quality, then the water is provided to the purple pipe system throughout the Potranco Ranch subdivision for reuse purposes. If there is a plant upset or Reuse requirements are not met, then the effluent is discharged in accordance with the TPDES permit.

Staff 2-7: Please provide a list of all test year costs with general ledger account name and number totals associated with disposing of effluent as explained in the previous request for information.

RESPONSE: There is no general ledger accounting associated with disposing of effluent *per se*. There is an Asset Class called Reuse. A PDF copy of FGU's 2016 General Ledger for Reuse is provided as Attachment 2-7 attached hereto. A copy of Attachment 2-7 in excel format will be provided on CD separately.

Staff 2-8: Please provide a detailed narrative as to how income is generated by Forest Glen from the sale of reuse water effluent and the amount of reuse water revenue generated in 2016 and 2017 respectively.

RESPONSE: Reuse system is a separate, non-regulated utility that sells treated wastewater to Potranco Ranch customers through a separate purple pipe system. The residential customers and HOA have a separate Reuse meter. Yancey Water Supply Corporation bills and collects from the Potranco Ranch customers on behalf FGU. The water is provided at a substantial discount (approximately 40%) from potable water sold by Yancey.

- 2016 Reuse water sales were \$98,883 operating expenses were \$64,856, depreciation was \$104,775 for a net loss of \$70,748.
- 2017 Reuse water sales were \$139,569.40, operating expenses were \$88,555, depreciation was \$12,438, for net income of \$51,014.43.

Staff 2-9: Please provide an electronic copy (excel format) of the 2016 and 2017 general ledger containing each transaction for all reuse water production costs and reuse water revenue amounts (please subtotal by account).

RESPONSE: Please see Attachment 2-7 above relating to the 2016 General Ledger for Reuse. Also a PDF copy of FGU's 2017 General Ledger for Reuse is provided as Attachment 2-9. A copy of Attachment 2-9 in excel format will be provided on CD separately.

Staff 2-10: Please provide a breakdown of the total gross receipts or sales amount reported in box 1a on the 2016 tax return, bates pages FGU087, and box 1a reported on the 2017 tax return, bates page FGU099, by revenue source and the amount from each source.

RESPONSE:

	Jan - Dec 17	Jan - Dec 16
Income		
Insurance Reimbursement	790.00	0.00
Reuse		
Grey Water Usage	139,569.40	98,882.80
Total Reuse	139,569.40	98,882.80
Waste water		
Sewer Tap	19,200.00	13,500.00
Sewer Treatment Fees	146,300.00	194,700.00
Wastewater Usage	77,210.00	53,170.80
Total Wastewater	239,710.00	261,370.80
Total Income	380,069.40	360,253.60

Staff 2-11: Please provide an electronic copy (excel format) of Forest Glens general ledgers used to create the 2016 and 2017 tax returns.

RESPONSE: A PDF copy of FGU's general ledgers used to create the 2016 and 2017 tax returns are provided as Attachment 2-11. A copy of Attachment 2-11 in excel format will be provided on CD separately.

Staff 2-12: Please provide reconciliations of each electronic general ledger account balance to each of the deduction amounts reported on the 2016 and 2017 tax return bates pages FGU087 and FGU099 balances respectively. Be sure to identify the reuse water production transactions subtotals and sewer transactions subtotals that comprise each of the expense amounts claimed on the return.

RESPONSE: Each of the accounts is a General Ledger Account. The General Ledger Account lists the subtotals and account number for each transaction.

Staff 2-13: Please identify and provide a list of general ledger transactions that support the differences between the application 2016 test year cost amounts claimed on Forest Glen's application to the sewer amounts claimed on the 2016 tax return and explain the differences.

RESPONSE: The Tax Returns do not differentiate between sewer and reuse.

Staff 2-14: Please provide Attached 1-12 as stated in response to RFI 1-12.

RESPONSE: A copy of Attachment 1-12 documentation that was inadvertently omitted from FGU's Responses to Commission Staff's First Request for Information is attached hereto as Attachment 1-12.

Staff 2-15: Please provide copies of the paid invoices for each of the following transactions:

Account	Year	Type	Date	Num	Name	Memo	Split	Debit
Other Plant Maintenance		Check	05/17/2016	500	Ernesto M. Moreno, Jr.	- MULTIPLE-	Lone Star-7012461	844.92
Repair	2017	General Journal	12/31/2017	LPS 201701			Wastewater	6,206.26
Regulatory Expenses	2016	Check	10/31/2016	587	TCEQ	Revenue and Regulatory Assessment Report 21079	Lone Star-7012461	1,109.24

RESPONSE: Copies of all paid invoices were previously provided in Reponse to Oral Questions (PUC Interchange Filing No. 92 (Feb. 23, 2018)) and Answers to PUC Staff's First Request for Information (i.e., Attachment 1-18).

Staff 2-16: Please provide a detailed explanation for all allocations and calculations for determining the sewer service expenses and reuse water amounts.

RESPONSE: Approximately 90% of all transactions are directly applied to the associated accounts. Those transactions that are too broad in nature are allocated according to the percent \$ book value of the two asset classes WWTP and Reuse.

Staff 2-17: For each of the following expenses (one through seven), please provide:

- a. An explanation as to why the payer has a different name than Forest Glen Utility;
- b. What services or items are included in the invoice;
- c. Explanation for how the services or items constitute reasonable and necessary expenses to provide continuous and adequate sewer service;
- d. An explanation of the basis for any allocation used; and,
- e. The calculations for any allocations:
 - 1) BVRT, LP – bates FGU 267;

- 2) Triple H Development, LLC - bates FGU269, FGU281;
- 3) Harry L. Hausman 320 Potranco Ranch LLC - bates FGU271, FGU279, FGU291, FGU389;
- 4) Harry Hausman Holdings, Ltd. - bates FGU271, FGU272, FGU273, FGU276, FGU280, FGU285, FGU286, FGU288;
- 5) Triple H Investments - bates FGU281;
- 6) Kathy Jackson - Alamo Title - bates FGU284; and
- 7) Michael Ingersoll - bates FGU311, FGU321, FGU323, FGU340, FGU451

RESPONSE:

- 1) **BVRT, LP - bates FGU267 – BVRT engaged Stuart Consultant to perform services on behalf of FGU, and FGU was simply reimbursing BVRT for expenses. Stuart Consulting provided engineering services regarding FGU’s electrical system. Engineering for the sewer utility is a reasonable and necessary expense associated directly with the operation of FGU. This expense was for the sewer utility only, and no cost was allocated to reuse.**
- 2) **Triple H Development, LLC - bates FGU269 - Triple H engaged MCA Consulting to provide surveying services to ensure that FGU’s existing WWTP sufficiently spaced far enough from a water well located on the neighbor’s property. Surveying for the sewer utility is a reasonable and necessary expense associated directly with the operation of the sewer utility. This expense was for the sewer utility only, and no cost was allocated to reuse; FGU281 – Triple H engaged Gilbert Wilburn to investigate legal issues with FGU’s wastewater treatment facility where work was performed on behalf of FGU for CCN/TPDES permit issues. Legal services for the sewer utility are a reasonable and necessary expense associated directly with the operation of the sewer utility. This expense was allocated based on the same methodology as all other shared costs, which is a ratio of the infrastructure costs for the sewer system versus the infrastructure costs for the reuse system.**
- 3) **Harry L. Hausman 320 Potranco Ranch LLC – bates FGU271, FGU279, FGU291 – Harry L. Hausman engaged Pulman, Cappuccio, Pullen, Benson & Jones, LLP on behalf of FGU for the benefit of FGU. The water well issue is solely a reuse issue, and these costs should not be allocated to FGU sewer; bates FGU288 – Harry Hausman engaged Kreager Mitchell on behalf of FGU to resolve legal issues with share allocations of the corporation. Legal services for the sewer utility is a reasonable and necessary expense associated directly with the operation of the sewer utility. This expense was allocated based on the same methodology as all other shared costs, which is a ratio of the infrastructure costs for the sewer system versus the infrastructure costs for the reuse system.**
- 4) **Harry Hausman Holdings, Ltd. - bates FGU271, FGU272, FGU273, FGU276, FGU280, FGU285, FGU286, FGU288 – see response above regarding engagement of law firms on behalf of FGU for the benefit of FGU.**

- 5) **Triple H Investments - bates FGU281 - See response above regarding engagement of law firms on behalf of FGU for the benefit of FGU.**
- 6) **Kathy Jackson - Alamo Title - bates FGU284 – Alamo Title hired Pena and Pena, PLLC to perform work on behalf of FGU regarding its TCEQ-required sanitary control easement. This expense is reasonable and necessary as the TCEQ requires all wastewater utilities to have in place a sanitary control easement between a well and the WWTP. This expense was allocated based on the same methodology as all other shared costs, which is a ratio of the infrastructure costs for the sewer system versus the infrastructure costs for the reuse system.**
- 7) **Michael Ingersoll - bates FGU311, FGU321, FGU323, FGU340, FGU451 – Michael Ingersoll does work on behalf of FGU. Mr. Ingersoll engaged Quest Utility to perform various plant maintenance activities on behalf of FGU. Plant maintenance is a reasonable and necessary expense for a sewer utility. This expense was allocated based on the same methodology as all other shared costs, which is a ratio of the infrastructure costs for the sewer system versus the infrastructure costs for the reuse system.**

Staff 2-18: Ref: bates FGU255 and FGU385. Please provide the invoice for the expenditure, basis for allocation, and detailed allocation calculation for determining the sewer and reuse amounts.

RESPONSE: Staff is confused. FGU255 and FGU 385 show income from customers, not expenditures.

Staff 2-19: Please provide an explanation for the basis of the allocation as well as the calculation used for the following invoice provided bates FGU236, FGU256, FGU260, FGU282, FGU283, FGU287, FGU290, FGU292, FGU307, FGU308, FGU309, FGU310, and FGU358.

RESPONSE: As noted above, any shared expenses are allocated based on the same methodology as all other shared costs, which is a ratio of the infrastructure costs for the sewer system versus the infrastructure costs for the reuse system. Shared expenses make up approximately 10% of the total costs for the sewer utility.

Staff 2-20: Please provide the amount [sic] of gallons of wastewater discharged in 2016 and 2017 respectively.

RESPONSE: The number of gallons discharged in 2016 and 2017 is available from the TCEQ DMRs. The amount of wastewater that was treated as shown on FGU's 2016 and 2017 Annual Reports respectively, was 5,681,990 gallons in 2016 and 7,696,519 gallons in 2017. FGU's Annual Reports are on file with the PUC.

Staff 2-21: Please provide the amount [sic] of gallons of reuse water sold in 2016 and 2017, respectively.

RESPONSE: The number of gallons sold in 2016 and 2017 is unrelated to the wastewater system. The separate reuse utility supplements the amount of available treated wastewater with raw water from its well system.

Staff 2-22: Ref: Schedule III-3 of the Application, Admit or deny: There is no allocation between the provision of sewer service and reuse water production for fixed asset original costs in the application.

- a. If admitted, please explain the reason why.
- b. If denied, please list all page numbers, line numbers, item descriptions and amounts that are allocated between sewer service and reuse water production.

RESPONSE: There is no allocation to the reuse system of any assets shown on Schedule III-3 because all of the assets shown are related solely to the wastewater utility and not the reuse utility.

Staff 2-23: Please provide an electronic copy (excel format) of the Forest Glens wastewater 2016 and 2017 general ledgers containing all transactions.

RESPONSE: Copies of FGU's 2016 and 2017 General Ledgers were provided in FGU's Supplemental Response to Commission Staff's First Request for Information (April 25, 2018) in excel format via electronic mail to legal counsel and in PDF format filed on the PUC Interchange (Bates No. 469-474) were also filed with the PUC in excel format on CD contemporaneously with this filing.

Staff 2-24: Please provide a detailed explanation regarding the accounting services provided by Rideout, Barrett, and Co., P.C. to reclassify equity accounts and compilation of information for Public Utility Commission listed on the invoice bates FGU260.

RESPONSE: Rideout, Barrett & Co., P.C. corrected the assignment of payments in the utility's books to properly reflect equity investment.

Staff 2-25: Please provide a list of all wastewater GL transactions supporting the application revenue requirement amounts that represent an amount that was allocated between wastewater and reuse.

RESPONSE: See Response to Staff 2-11 above.

**ATTACHMENT 1-12
PROPERTY TAX STATEMENTS 2016&2017**

**2016
Tax Statement**

Office of Melissa Lutz, Tax Assessor-Collector
Medina County Tax Office
1102 15th Street
Hondo, TX 78861
(830)-741-6100
(830)-741-6105

4/10/2018	R82953
82953	O0053009
Legal	
POTRANCO RANCH, UNIT 2A, BLOCK 1, LOT 904, "HOLDING TANKS" ACRES 2.405	
Property Location	

Property ID: 0S0408-00001-00904-82953



R82953
FOREST GLEN UTILITY COMPANY
15720 BANDERA ROAD
STE 103
HELOTES, TX 78023

County Taxes Reduced By Additional Sales Tax 0.15

Property Values	
Land	500
Improvement	0
AG Market	0
AG Use	0
Timber Market	0
Timber Use	0
Cap Adjustment	0
Assessed	500

Tax Breakdown								
2016	County F M Road	0.091100	0	500	0.46	0.46	0.00	
2016	Medina County	0.460600	0	500	2.30	2.30	0.00	
2016	Medina County ESD #1	0.095000	0	500	0.47	0.47	0.00	
2016	Medina County Groundwa	0.009856	0	500	0.05	0.05	0.00	
2016	Medina County Hospital D	0.063800	0	500	0.32	0.32	0.00	
2016	Medina County Precinct #:	0.050000	0	500	0.25	0.25	0.00	
2016	Medina Valley ISD	1.439200	0	500	7.20	7.20	0.00	
2016	Potranco Ranch Public Im	0.180000	0	500	0.90	0.90	0.00	
TOTAL					11.95	11.95	See TOTAL DUE	

**TOTAL DUE IF PAID BY
April 30, 2018** 0.00

Pay by	%	Pay	Total Due
Apr 2018		0.00	0.00
May 2018		0.00	0.00
Jun 2018		0.00	0.00
Jul 2018		0.00	0.00
Aug 2018		0.00	0.00
Sep 2018		0.00	0.00
Oct 2018		0.00	0.00
Nov 2018		0.00	0.00
Dec 2018		0.00	0.00
Jan 2019		0.00	0.00

IF YOU ARE 65 YEARS OF AGE OR OLDER OR ARE
DISABLED, AND YOU OCCUPY THE PROPERTY DESCRIBED
IN THIS DOCUMENT AS YOUR RESIDENCE HOMESTEAD,
YOU SHOULD CONTACT THE APPRAISAL DISTRICT
REGARDING ANY ENTITLEMENT YOU MAY HAVE TO A
POSTPONEMENT IN THE PAYMENT OF THESE TAXES

— detach and return bottom portion with payment —

Property ID
R82953
Owner ID
O0053009
Property Location

Make check payable to
Office of Melissa Lutz, Tax Assessor-
Collector
Medina County Tax Office
1102 15th Street
Hondo, TX 78861
(830)-741-6100
(830)-741-6105

**TOTAL DUE IF PAID BY
April 30, 2018** 0.00



%000000134143C0000013254

R82953
FOREST GLEN UTILITY COMPANY
15720 BANDERA ROAD
STE 103
HELOTES, TX 78023

20160000R8295300000000000000

IF THE PROPERTY DESCRIBED IN THIS DOCUMENT IS YOUR RESIDENCE HOMESTEAD, YOU SHOULD CONTACT THE OFFICE OF MELISSA LUTZ, TAX ASSESSOR-COLLECTOR REGARDING A RIGHT
YOU MAY HAVE TO ENTER INTO AN INSTALLMENT AGREEMENT DIRECTLY WITH THE OFFICE OF MELISSA LUTZ, TAX ASSESSOR-COLLECTOR FOR THE PAYMENT OF THESE TAXES

FGU0526

Statement Of Account

Medina County Tax Office
1102 15th Street
Hondo, TX 78861
Ph: (830)-741-6100 Fax: (830)-741-6105

This document is not a tax certificate and does not absolve a taxpayer from tax liability in any way. Should this document be found to be in error, it may be corrected by the collections office. Responsibility to pay taxes remains with the taxpayer as outlined in the Texas Property Tax Code.

Entity	Year	Lower	Upper	Mid	Max	Total
FED1	2017	0.48	0.00	0.00	0.00	0.00
GME	2017	2.32	0.00	0.00	0.00	0.00
MWD	2017	0.05	0.00	0.00	0.00	0.00
RFM	2017	0.44	0.00	0.00	0.00	0.00
SMV	2017	7.20	0.00	0.00	0.00	0.00
HSP	2017	0.32	0.00	0.00	0.00	0.00
PID	2017	0.90	0.00	0.00	0.00	0.00
RSP	2017	0.25	0.00	0.00	0.00	0.00

Total for current bills if paid by 2/28/2018 : \$0.00
 Total due on all bills 2/28/2018 : \$0.00
 2017 taxes paid for entity FED1 \$0.48
 2017 taxes paid for entity GME \$2.32
 2017 taxes paid for entity MWD \$0.05
 2017 taxes paid for entity RFM \$0.44
 2017 taxes paid for entity SMV \$7.20
 2017 taxes paid for entity HSP \$0.32
 2017 taxes paid for entity PID \$0.90
 2017 taxes paid for entity RSP \$0.25
 2017 Total Taxes Paid : \$11.96
 Date of Last Payment : 01/12/18

**ATTACHMENT 1-12
PROPERTY TAX STATEMENTS 2016&2017**

TAX RECEIPT

MELISSA LUTZ TAX ASSESSOR-COLLECTOR
MEDINA COUNTY
1102 15th Street
Hondo, TX 78861
(830)-741-6100

Receipt Number: 2016-365887-MTAX

Payor: FOREST GLEN UTILITY COMPANY (O0053009) 15720 BANDERA ROAD #STE 103 HELOTES, TX 78023	Owner: FOREST GLEN UTILITY COMPANY (O0053009) 15720 BANDERA ROAD STE 103 HELOTES, TX 78023
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Quick Ref ID: R82953 Owner: FOREST GLEN UTILITY COMPANY (O0053009) - 100% Owner Address: 15720 BANDERA ROAD STE 103 HELOTES, TX 78023	Property: 0S0408-00001-00904-82953 Legal Description: POTRANCO RANCH, UNIT 2A, BLOCK 1, LOT 904, "HOLDING TANKS" ACRES 2.405
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Tax Year/Taxing Unit	Taxable Value	Tax Rate	Levy	Tax Paid	Amount Paid
2016					
Medina County ESD	500	0.095000	0.47	0.47	0.47
Medina County	500	0.460600	2.30	2.30	2.30
Medina County	500	0.009856	0.05	0.05	0.05
County F.M. Road	500	0.091100	0.46	0.46	0.46
Medina Valley ISD	500	1.439200	7.20	7.20	7.20
Medina County	500	0.063800	0.32	0.32	0.32
Potranco Ranch	500	0.180000	0.90	0.90	0.90
Medina County	500	0.050000	0.25	0.25	0.25

Total Payment Amount	11.95
Check (Ref # 0598) Tendered	11.95
Total Tendered	11.95

Remaining Balance Due, including other fees, as of 11/30/2016	0.00
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Date Paid: 11/30/2016
Effective Date: 11/30/2016
Station: SHELBY
Cashier: Shelby