



Control Number: 47897



Item Number: 220

Addendum StartPage: 0

TRACKING NUMBER VDPDUXME

PUC DOCKET NO. 47897
SOAH DOCKET NO. 473-18-3008.WS

RECEIVED
2018 AUG 13 AM 9:27

**APPLICATION OF INTERVENORS
AGAINST FOREST GLEN UTILITY
FOR AUTHORITY TO CHANGE**

**BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS**

**VAN JOHNSON'S THIRD REQUEST FOR INFORMATION
TO FOREST GLEN UTILITY COMPANY**

COMES NOW, Van Johnson and serves this, its THIRD Requests for Information, to Forest Glen Utility Company, pursuant to Chapter 2001 of the Texas Government Code, the Texas Rules of Civil Procedure, and applicable rules and regulations of the Public Utility Commission of Texas (PUC" or "Commission") and the State Office of Administrative Hearings (SOAH").

You are requested to answer in complete detail and in writing each of the following requests for information, as well as produce the requested documents, within 20 days of service in accordance with the Texas Rules of Civil Procedure and the Procedural Rules of the PUC at the offices of the undersigned counsel, or at such other time and place as agreed between counsel. Forest Glen Utility Company may and is encouraged to produce responsive documents in an electronic format.

220

Respectfully submitted,

Van Johnson, MA, MPA
112 Sunrise Hill
Castroville, TX 78009
210-364-8317
johnsv337@gmail.com

By:  _____

CERTIFICATE OF SERVICE

I, Van Johnson, 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 10th of August 2018.

By:  _____
Van Johnson

INSTRUCTIONS

- a) Singular and masculine forms of any noun or pronoun shall embrace and be applied as the plural or as the feminine or neuter, as appropriate to the context, and vice versa.
- b) Each category following is to be construed and responded to independently and is not to be referenced to any other item herein for the purposes of limitation.
- c) Documents produced pursuant to this request shall be tendered either in the precise form or manner in which they are kept in the usual course of business or organized and labeled to correspond with the category that follows these requests.
- d) Any use herein of the word "include shall be construed as "including, but not limited to."
- e) Any use herein of the words "and" or "or" shall be construed either conjunctively or disjunctively as necessary to bring within the scope of these requests any documents that might otherwise be considered outside its scope.
- f) Any use herein of the words "any" or "all" shall be construed generally to mean "each and every," but shall be construed either broadly or narrowly as necessary to bring within the scope of these requests any documents that might otherwise be considered outside its scope.
- g) The requirements of the Texas Rules of Civil Procedure shall be strictly complied with. All documents within the scope of these requests shall be as they are kept in the usual course of business or shall be organized and labeled to correspond to the categories of these requests.
- h) If any party named hereinabove has ever had any of the documents referred to herein in her possession, custody or control, but does not now, that party is requested to state the following with respect to each such document:
 - (1) The present location thereof, if known, or all reasons why the party cannot or does not know of the location thereof;
 - (2) The date each such document left possession, custody or control of the party;
 - (3) The reasons why each such document is not now in the possession, custody, or control of the party;
 - (4) The name and address of all persons having knowledge about the matters inquired about in the immediately preceding paragraphs (1) through (3).
- (i) Any document requested herein has been destroyed, you are requested to describe in detail the circumstances of and reasons for such destruction, and to produce all documents that relate to either the circumstances or the reasons for such destruction.
- (j) If any document requested herein is withheld under claim or privilege, or is not produced for

whatever reason, you are requested:

- (1) The state with specificity the claim of privilege or other reason used to withhold production; and,
- (2) To identify each such document by date, author, and subject matter, without ruling on the privilege or other reason asserted.

You are further requested to produce those portions of any such document which are not subject to the claim of privilege or other reason for non-production by excising or otherwise protecting the portions for which a privilege is asserted, if such a technique does not result in disclosing the contents of the portions for which some privilege is asserted.

(k) These discovery requests are continuing in nature. If further information or documents come into your possession or are brought to your attention during preparation for trial or during trial, supplementation of your responses may be required.

(l) Except where otherwise specified or indicated by context, each category following requests information for the period from the time when you first had any contact or communication with the Respondent to the date of the production of the documents, subject to the duty to supplement.

(m) Unless otherwise defined, the specific terms used in these discovery requests shall have the same meaning as the definitions contained in chapter 13 of the Texas Water Code, the Public Utility Commission of Texas regulations implementing those laws and the bylaws of Avalon Water Supply and Sewer Services Corporation.

(n) Pursuant to 30 Tex. Admin. Code ("TAC") § 22.144(c)(2), answer to the requests for information shall be made under oath.

DEFINITIONS

1. "You" and "your" means Forest Glen Utility Company as well as your attorneys, employees, independent contractors, representatives, consultants, affiliates, and expert witnesses.
2. "FGU" means Forest Glen Utility Company, applicant in the above-docketed rate case.
3. "Commission" "PUC" means the Public Utility Commission of Texas with jurisdiction over this matter, PUC Docket No. 47897.
4. "Document" or "documents" means and refers to all writings, data, data compilations, correspondence, electronic transmissions, email, electronically stored data and data compilations, and all versions and modifications of same.

REQUEST FOR INFORMATION

REQUEST FOR INFORMATION NO. 3-1: Did Potranco Ranch developer Mr. Harry Hausman) sign a contractual agreement with McMillin Texas Management Services, LLC, a Texas limited liability company to construct private dwellings and provide waste water reuse to prospective homebuyers?

RESPONSE:

REQUEST FOR INFORMATION NO. 3-2: Was a contractual agreement signed by McMillin Texas Management Services, LLC and Mr. Harry Hausman, (RE: document 100, p.37, Attachment 1-14) that explained the purposes of Public Improvement District (PID); also outlined in Local Government Code Chapter 372.003(b)(13), which is an assessment to each Potranco Ranch Subdivision owner, at .18 per \$100 of property valuation annually (See Addendum # 1, page 2 (Attachment 1-14 Developer Agreement), to this RFI, for clarification)?

RESPONSE:

REQUEST FOR INFORMATION NO. 3-3: In accordance with Local Government Code subchapter of 372.122(b), does FGU reimbursement for expansion of Waste Water Treatment facility? As an immediate follow up, how much monetary reimbursement has the PID provided to FGU for expansion for increased customers since September 2013 to June 28, 2018? The reason for this question is to corroborate Medina County Commissioner #2, Larry Sittre's statement, the PID is paying Mr. Harry Hausman \$1.5M in remuneration for the development of Potranco Ranch Subdivision from the PID.

RESPONSE:

REQUEST FOR INFORMATION NO. 3-4: In your response to my first RFI 1-7, you said Mr. Harry Hausman is a shareholder. However, during a meeting between Mr. Steven Greenberg, CEO FGU, Mr. Cecil Perkins, and me (Van Johnson), two of the Potranco Ranch intervenors, that Mr. Hausman is the majority shareholder, not just a shareholder. Please clarify your response to RFI 1-7.

RESPONSE:

REQUEST FOR INFORMATION NO. 3-5: Is Harry Hausman the developer of Potranco Ranch?

RESPONSE:

REQUEST FOR INFORMATION NO. 3-6: FGU response to Van Johnson First RFI item 1-9 was "Unknown. Some of these builders have left and been replaced by other builders who may, in turn, also leave. However, 192 lots remain to be sold at this time. You must be aware to the targeted 366 homes to be built in Potranco Ranch Subdivision. How can you derive 192 lots remain without a base number of homes and subtracting the 192 from 366 total is 174 homes have been sold, which befuddles me when you reported in a PUC RFI that 229 connections? Please rationalize the conflicting statements in your response me and PUC.

RESPONSE:

REQUEST FOR INFORMATION NO. 3-7: FGU response to Van Johnson's First RFI item 1-10 was that build out of Potranco Ranch Subdivision would be last quarter of 2018 or first quarter 2019. However, according to Mr. Steven Greenberg, CEO FGU, build out would occur in 2021. Your response to Van Johnson's RFI and Mr. Greenberg's conversation supported by his typed handout express a new revelation as opposed to previous documents that build out would occur 2018 or first quarter 2019. Please explain the shifting build out timeline. (Addendum #2 (Schedule II-3 Other Rev), to this RFI is provided for clarification)

RESPONSE:

REQUEST FOR INFORMATION NO. 3-8: FGU response to Van John's First RFI item 1-11, we cannot locate the quotation. Addendum # 3 (Sched VI Rate Design Fixed), to this RFI is provided for clarification. Please respond to "At build out of 366 customers, base service charge rate would be \$56.37 per month.

RESPONSE:

REQUEST FOR INFORMATION NO. 3-9: Will Potranco Ranch sewer customers bill be reduced to \$56.37 per month using (Addendum # 3 (Sched VI Rate Design Fixed). What does the \$56.37 per month pertain to sewer, reuse, additional fees, or all the above?

RESPONSE:

REQUEST FOR INFORMATION NO. 3-10: FGU response to Van Johnson's First RFI item 1-14, use Addendum # 2 (Schedule II-3 Other Rev) and 4 to respond to First RFI 1-14: "Funds are used to pay for the cost of operating WWT system that are not covered by rates have been established for normal operations and necessary operations and plant expansion". Is not plant expansion covered under Local Government Code subchapter of 372?

RESPONSE:

REQUEST FOR INFORMATION NO. 3-11: FGU response to Van Johnson's First RFI item 1-15 "Generally having a fixed monthly rate reduces costs overall". Cost for customer is ratcheting up, not reducing. A fixed sewer rate regardless of usage is undeniably baffling when the customer will be charged the same for sewer regardless of usage. Example: 2 people in home get charged the same for sewer as a home with 6 or more occupants, i.e., showers, flushes, etc. Please rationalize fairness of equity.

RESPONSE:

REQUEST FOR INFORMATION NO. 3-12: Why is the requested \$30 fixed increase to sewer charge package under sewer rather than a separate line item charge? As explained in responses to PUC, the additional revenue will shore up shortfalls from the loss of Builder fee (\$2,950) once all lots are sold by end of 2018 or first quarter of 2019. See Addendum # 2 and 4 notes to this RFI for referencing of shortfall and or financial recovery.

RESPONSE:

REQUEST FOR INFORMATION NO. 3-14: FGU response to Van Johnson's First RFI item 1-19 "As demonstrated by over 3 years of operating expenses, \$35.00 per month is actually less than 50% of the actual costs to which FGU is rightfully and legally entitled to collect by law". If the \$35.00 is less than what FGU is rightfully and legally entitled to collect, why did TCEQ establish in 2012 the sewer rate of \$35.00.

RESPONSE:

REQUEST FOR INFORMATION NO 3-15: Does FGU in looking back over their initial business plan, see that it is financially unworkable, thus reasoning a 46% sewer rate hike, with additional hikes in 2020 (\$4) and 2021 (\$4)? See Addendum #5 to this RFI, provided by Mr. Steven Greenberg for the additional \$8 increases between 2020 and 2021?

**ATTACHMENT 1-14
DEVELOPER AGREEMENT**

ADDENDUM 1 PAGE 1 OF 2

governing the use and occupancy of the Lots and a dedicatory instrument governing the establishment, maintenance and operation of this residential community have been or will be recorded in the appropriate public records of the county in which the Lots are located. Copies of the restrictive covenants and dedicatory instrument may be obtained from the county clerk. You are obligated to pay assessments to the homeowners' association. The amount of the assessment is subject to change. Your failure to pay the assessments could result in a lien on and the foreclosure of the Lots. Buyer acknowledges that copies of the bylaws for the homeowners' association, covenants, conditions and restrictions applicable to the Lots and rules and regulations of the association have been made available.

(c) **Annexation.** If the Subdivision that is the subject of this Agreement is located outside the limits of a municipality, the Subdivision may now or later be included in the extraterritorial jurisdiction of a municipality and may now or later be subject to annexation by the municipality. Each municipality maintains a map that depicts its boundaries and extraterritorial jurisdiction. To determine if the Subdivision is located within a municipality's extraterritorial jurisdiction or is likely to be located within a municipality's extraterritorial jurisdiction, contact all municipalities located in the general proximity of the Subdivision for further information.

(d) **Special Utility District.** If the Lots are situated within a utility district or flood control district subject to the provisions of Section 49.452 of the Texas Water Code, then Seller will give to Buyer the required written notice and Buyer agrees to acknowledge receipt of the notice in writing. The notice will set forth the current tax rate, the current bonded indebtedness and the authorized indebtedness of the district, and will comply with all other applicable requirements of the Texas Water Code.

(e) **Abstract Or Title Policy.** Seller advises Buyer to have an abstract of title covering the Lots examined by an attorney of Buyer's selection, or Buyer should be furnished with or obtain a title policy. If a title commitment is furnished, the title commitment should be promptly reviewed by an attorney of Buyer's choice due to the time limitations on Buyer's right to object.

(f) **Public Improvement District ("PID").** Pursuant to the provisions of §5.014 of the Texas Property Code:

NOTICE OF OBLIGATION TO PAY PUBLIC IMPROVEMENT DISTRICT
ASSESSMENT TO (municipality or county levying assessment) CONCERNING
THE PROPERTY AT POTRANCO RANCH SUBDIVISION.



ATTACHMENT 1-14
DEVELOPER AGREEMENT

ADDENDUM 1 PAGE 2 OF 2

As a purchaser of this parcel of real property you are obligated to pay an assessment to a municipality or county for an improvement project undertaken by a public improvement district under Chapter 372, Local Government Code. The assessment is for the purpose of maintaining the private wastewater treatment system, the private water re-use system, streets and drainage system, common areas and entry of the community. The assessment may be due annually or in periodic installments. The assessment shall be \$.18 per \$100 dollars of valuation. Due dates of that assessment may be obtained from the municipality or county levying the assessment.

(g) The amount of the assessments is subject to change. Your failure to pay the assessments could result in a lien on and the foreclosure of your property. Seller intends to use Tax Increment Financing to reimburse the PID for infrastructure improvements

XXII.
RIGHT OF FIRST REFUSAL FOR BUYER

22.1 **Notice of Offer.** Seller will not sell or market to, or accept an offer to purchase from, any third party, any property in Future Phase(s) prior to the sixth Closing hereunder. If at any time after the fourth Closing, Seller will desire to offer to sell all or any portion of the lots in Future Phase(s) to any party (an "*Offer*"), Seller will send Buyer two (2) copies of a contract, substantially in the same form and substance as this Agreement, for the sale of the lots within Future Phase(s) embodying the terms of the Offer. Buyer will have the right, within thirty (30) days after the receipt of the contract and written notice, to agree to purchase the lots within Future Phase(s) or such part thereof on the terms and conditions set forth in the Offer. If Buyer elects to accept the Offer embodied in the contract, then Buyer must do so by executing one copy of the contract or letter of intent and returning it to Seller within the thirty (30) day period. The contract for the lots within Future Phase(s) shall contain a Right of First Refusal similar to this Section.

22.2 **Open Period.** If Buyer does not accept the Offer within the thirty (30) day period provided in Section 22.1, then the Offer will be deemed withdrawn and Seller will be free for a period of six (6) months from the expiration of the thirty (30) business day period to sell or offer to sell Future Phase(s) or such part thereof to third parties on terms that are not more favorable from the Buyer's perspective than those set forth in the Offer, free and clear of Buyer's right of first refusal contained herein. If Seller desires to sell the lots in Future Phase(s) or such part thereof on terms less favorable to Seller than the Offer (lesser purchase price than contained in the Offer, or a less aggressive take-down schedule, or fewer Lots, or less Earnest Money), then the Offer shall be modified to include such lesser terms and submitted to Buyer in accordance with the provisions of



ADDENDUM 2

SCHEDULE II-3 OTHER REV

UTILITY NAME: <u>Forest Glen Utility Company</u> SCHEDULES - CLASS B RATE/TARIFF CHANGE II-3 OTHER REVENUES & EXPENSES PASSED THROUGH FOR TEST YEAR ENDED: <u>12/31/2016</u>
--

II-3(a) Purchased Water or Other Pass Through Expenses

Line No.	A	B	C	D	D
	Purchased from:	Units purchased (in _____) (e.g. 1,000 gal, AC - FT)	Price Per Unit	Total Calculated Cost (B x C)	Actual Cost paid per financial records
1.	N/A	N/A	N/A	N/A	N/A
2.					
3.					
4.	Total	*	N/A	N/A	N/A

* Must agree with Schedule II-1(a), Line 2, column A, or provide a reconciliation.

II-3(b) Other revenues collected from customers

Line No.	A	B	D
	Item passed thru or type of other revenue	Test year historical revenues collected	Test year revenues netted against COS
1.	Tap Fees*	\$ 13,500.00	
2.	Late Fees		
3.	Meter Test Fees		
4.	Reconnect Fees		
5.	Purchased Water Fees		
6.	Groundwater Conservation District Fees		
7.	Other (attach detail**)	\$ 194,700.00	0
8.	Total Other Revenues	\$ 208,200.00	0

(to Sch. I-2, line 5)

(to Sch. I-1, line 35)

* Tap fees should be reported on Sch. III-8-CIAC, Line 1.

** If the utility provides other than residential retail service (wholesale, industrial, etc), provide a work paper with the detail of this account by NARUC sub account number.

Line 7. Note:

FGU charges the Builder's \$2,950 per lot at closing as a connection fee. This is declared as income, not CIAC. The sewer lines that are contributed are declared as CIAC. These funds are used to pay for the costs of operating the WWT system that are not covered by rates until the number of customers and the rates have been established for normal operations as well as necessary plant expansion and repairs. There will be a total of 366 customers at build out. At the close of 2015 there were 96 customers. At the close of 2016 there will be approximately 168 customers. Between 70 and 90 homes are sold each year. Build out should occur by the end of 2018 or first quarter 2017 at which point the builder fee will cease and FGU will need to be operating with all costs of services recovered in monthly sewer charges.

ADDENDUM 3

SCHED VI RATE DESIGN FIXED

UTILITY NAME: <u>Forest Glen Utility Company</u>				
SCHEDULES - CLASS B RATE/TARIFF CHANGE				
Schedule VI-1 RATE DESIGN				
FOR THE TEST YEAR ENDED: 12/31/2016				
Line No.	A	B	C	
		Reference		
DETERMINATION OF FIXED COSTS				
1.	Gross revenues to be recovered:	Sch I-1, Line 36		309,571
	Less variable costs:			
2.	Purchased water - Account 610	Sch I-1, Col. F, line 1		-
3.	Purchased power - Account 615	Sch I-1, Col. F, line 2		17,031
4.	Other volume related - Account 618	Sch I-1, Col. F, line 3		12,872
5.	Other volume related or allocated (attach schedule)			
6.				
7.				
8.				
9.				
10.	FIXED COSTS (Line 1 minus Lines 2-9)			279,668
11.	% OF FIXED COSTS RECOVERED IN VOLUMETRIC CHARGE			100.00%
12.	TO BE RECOVERED THROUGH BASE SERVICE CHARGE			
	RECAP:			
13.	RECOVERED THROUGH BASE SERVICE CHARGE	Line 10		279,668
14.	RECOVERED THROUGH VOLUMETRIC RATE	Line 1 - Line 10		29,903
	TOTAL	Equals Line 1		309,571
	TO BE RECOVERED THROUGH BASE SERVICE CHARGE			
15.	TOTAL METER EQUIVALENTS	Sch I-4, Col FH, line 5		199
16.	CHARGE PER 5/8" X 3/4" METER	Line 13 / Line 15		1,405.37
	TO BE RECOVERED THROUGH VOLUMETRIC RATE			
17.	TOTAL SEWER SALES IN 1,000 GALS	Sch II-1(a), Col C, line 4		6,311
18.	VOLUMETRIC RATE (CHARGE PER 1,000 GALS)	Line 14 / Line 17	\$	4.7383
	PROPOSED RATES:			
19.	FOR ALL SEWER RECEIVED PER 1,000 gallons	Line 18 or attach calc	\$	4.74
	BASE SERVICE CHARGE (PER CONNECTION)			1,405.37
	Meter size	Line 16	Equivalency	Base Rate/size
20.	5/8 X 3/4"	1,405.37	X 1.0 =	1,405.37
21.	3/4"		X 1.5 =	
22.	1"		X 2.5 =	
23.	1 1/2"		X 5.0 =	
24.	2"		X 8.0 =	
25.	3"		X 15.0 =	
26.	4"		X 25.0 =	

If the utility is setting a tiered rate, calculations for all tiers must be provided with total collections for all tiers compared to the revenue requirement requested.

With 168 customers the monthly sewer bill would be \$123. This is not affordable or competitive. At build out, there will be 366 customers and the Base Service Charge will be \$56.37 per month. FGU is requesting to postpone \$125,000 in recovered rates for 2017 and place that amount into a balancing account earning interest at 7%. It is FGU's intent to recover the \$125,000 plus interest beginning in 2020 over a five year period through a surcharge.

FGU is proposing a flat fixed rate per month. This will reduce accounting and management costs. The amount of variable costs is less than 15% of the total costs and the impact on customers will be minimal.

ADDENDUM 4

SCHEDULE I-2 REVENUES

UTILITY NAME: <u>Forest Glen Utility Company</u> SCHEDULES - CLASS B RATE/TARIFF CHANGE FOR TEST YEAR ENDED: <u>12/31/2016</u> I-2 HISTORICAL REVENUE SUMMARY			
Line No.	NARUC A/C	Description	Historical Test Year
1.	461	Metered connections base rate revenue	From financial records
2.	461	Metered connection gallonage rate revenue	From financial records
3.	460	Unmetered (Flat rate) revenue	53,171 From financial records
4.		Total Metered & Flat Rate Revenue	53,171
5.		Plus: Total Other Revenues	208,200 From II-3, Column B, line 7
6.		Total Historic Test Year Revenues per income statement and Annual Report*	261,371 Line 4 plus line 5

(to I-1, Column D, line 29)

*Provide all calculations and explanations for any differences between the applicant's annual report and this schedule.

These numbers match FGU's 2016 Tax Returns

Line 5, Other Revenues are Builder Fees paid to FGU and are included in the price of the lots sold. These fees are used to 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. These Other Revenues are reported as taxable income. See Note on Schedule II-3 for additional details.

ADDENDUM 5

UTILITY NAME: FOREST GLEN UTILITY
 SCHEDULES - CLASS B RATE/TARIFF CHANGE
Schedule VI-1 RATE DESIGN Page 2
 FOR THE TEST YEAR ENDED: 2016

This work area shows how rates eventually meet revenue requirement as # of customers grows

2018	Year	2018	2019	2020	2021	Total
	Revenue Fixed	\$ 177,840	\$ 224,640	\$ 288,144	\$ 320,616	1,011,240
	Postponed/Shortfall	131,731	84,931	21,427,	(11,045)	227,043
309,571						
228	# Cust (Average)	228	288	348	366	
65.00	Monthly Bill	65.00	65.00	69.00	73.00	
\$ 780.00	Annual	177,840	224,640	288,144	320,616	
				Rate Increase		
				0.062	0.058	
