

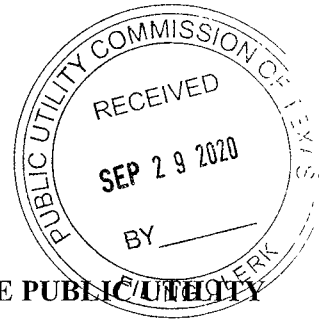


Control Number: 50041



Item Number: 28

Addendum StartPage: 0



APPLICATION BY
AIRW 2017-7, L.P., A TEXAS
LIMITED PARTNERSHIP,
FOR A WATER CERTIFICATE
OF CONVENIENCE AND
NECESSITY

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BEFORE THE PUBLIC UTILITY

COMMISSION OF TEXAS

**APPLICANT'S RESPONSES TO PUC STAFF'S
SECOND SET OF REQUESTS FOR INFORMATION**

TO THE STAFF OF THE PUBLIC UTILITY COMMISSION OF TEXAS:

COMES NOW AIRW 2017-7, L.P., a Texas limited partnership ("Petitioner"), and files Applicant's Responses To PUC Staff's Second Set Of Requests For Information numbered RFI Staff 2-1 through RFI Staff 2-11, inclusive, received on September 14, 2020. Pursuant to PUC Rules 22.142 and 22.144 (16 TAC), applicant responds as follows:

A. General Comments:

1. These responses have been prepared, and are filed by the undersigned counsel, pursuant to guidance and responses provided by the Applicant, AIRW-2107-7 through (i) its in-house project manager and Executive Vice President, Mr. Matthew Hiles, and (ii) the Applicant's consultant, Mr. Kaveh Khorzad, P.G., President of Wet Rock Groundwater Services, LLC.
2. Included herein are sworn "Verifications" from Messrs Hiles and Khorzad, identifying the RFIs for which they contributed to the responses. Accordingly, the responses below are provided with the understanding that pursuant to PUC Rule 22.144(c)(2)(F), the responses to all of the Staff's RFIs are made, and can be treated by all Parties to Docket No. 50041, as being "under oath."

B. Applicant's individual responses to the specific RFIs:

**DOCKET NO. 50041
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO AIRW 2017-7, L.P.
QUESTION NOS. STAFF 2-1 THROUGH STAFF 2-11**

Staff 2-1 Please provide the legal name of company that will own the following assets located on lot 2:

- a) duplexes
- b) distribution lines
- c) meters

Response:

- a) duplexes – WRIA 2018-4, L.P. a Texas limited partnership
- b) distribution lines – AIRW 2017-7, L.P., a Texas limited partnership
- c) meters – AIRW 2017-7, L.P., a Texas limited partnership

Staff 2-2 Please provide the legal name of company that will own the following assets located on lot 3:

- a) duplexes
- b) distribution lines
- c) meters

Response:

- a) duplexes – WRIA 2018-5, L.P. a Texas limited partnership
- b) distribution lines – AIRW 2017-7, L.P., a Texas limited partnership
- c) meters – AIRW 2017-7, L.P., a Texas limited partnership

Staff 2-3 Please provide the legal name of the company that will own the following assets located on lot 1:

- a) water plant
- b) water wells
- c) distribution lines
- d) master meter

Response:

- a) water plant – AIRW 2017-7, L.P., a Texas limited partnership
- b) water wells – AIRW 2017-7, L.P., a Texas limited partnership
- c) distribution lines – AIRW 2017-7, L.P., a Texas limited partnership
- d) master meter - AIRW 2017-7, L.P., a Texas limited partnership

Staff 2-4 Please provide the legal name of the company that will maintain the water system used to provide service to the duplexes located on:

- a) lot 2
- b) lot 3

Response:

- a) lot 2 - AIRW 2017-7, L.P., a Texas limited partnership, will be responsible for the maintenance; however, it may contract the function to one or more

companies in the water utility maintenance business to provide these services in a more efficient and cost effective manner.

- b) lot 3 - AIRW 2017-7, L.P., a Texas limited partnership, will be responsible for the maintenance; however, it may contract the function to one or more companies in the water utility maintenance business to provide these services in a more efficient and cost effective manner.

Staff 2-5 Please provide the legal name of the company that will bill the duplexes located on lot 2 for water service.

Response: AIRW 2017-7, L.P., a Texas limited partnership, will be the entity responsible for the billing; however, it may contract the function to a third-party company in the billing/collection business.

Staff 2-6 Please provide the legal name of the company that will bill the duplexes located on lot 3 for water service.

Response: AIRW 2017-7, L.P., a Texas limited partnership

Staff 2-7 Please explain how water service provided to the duplexes located on lot 2 will be billed. For example, will each individual unit in the duplex receive a bill or will the duplex receive a single bill for both units.

Response: The duplexes will be metered such that usage in each of the two separate units of the duplex is recorded and can be separately billed. Each individual unit of the duplex will receive a bill for water usage metered for that unit.

Staff 2-8 Please explain how water service provided to the duplexes located on lot 3 will be billed. For example, will each individual unit in the duplex receive a bill or will the duplex receive a single bill for both units.

Response: The duplexes will be metered such that usage in each of the two separate units of the duplex is recorded and can be separately billed. Each individual unit of the duplex will receive a bill for water usage metered for that unit.

Staff 2-9 Please provide a detailed breakdown of the projected cost to provide water service to the duplexes located on lot 2.

Response: The information requested is presented in the previously filed Rate Study prepared by B&D Environmental, Inc., dated May 29, 2020. A copy is attached for convenience as Appendix "A."

Staff 2-10 Please provide a detailed breakdown of the projected cost to provide water service to the duplexes located on lot 3.

Response: The information requested is presented in the previously filed Rate Study prepared by B&D Environmental, Inc., dated May 29, 2020. A copy is attached for convenience as Appendix "A."

Staff 2-11 Please provide the legal name of the company that will pay for:

- a) water plant
- b) water wells
- c) distribution systems
- d) meters

Response:

- a) water plant – AIRW 2017-7, L.P., a Texas limited partnership
- b) water wells – AIRW 2017-7, L.P., a Texas limited partnership
- c) distribution lines – AIRW 2017-7, L.P., a Texas limited partnership
- d) master meter - AIRW 2017-7, L.P., a Texas limited partnership

Having provided the requested RFI responses in support of its Application timely for PUC Staff review, the Applicant requests the PUC Staff to request that the ALJ declare the Application to be administratively complete and, thereafter, that the Commission grant Applicant's Application for a Certificate of Convenience and Necessity.

Respectfully submitted,

MCCARTHY & MCCARTHY, LLP
1122 Colorado St., Suite 2399
Austin, Texas 78701

By: /s/ Edmond R. McCarthy, Jr.
Edmond R. McCarthy, Jr.
State Bar No. 13367200
(512) 904-2313 (Tel)
(512) 692-2826 (Fax)
ed@ermlawfirm.com

**ATTORNEYS FOR PETITIONER,
AIRW 2017-7, L.P., a Texas limited partnership**

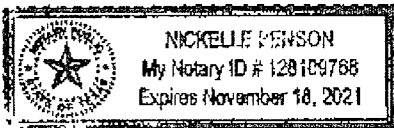
**VERIFICATION OF RESPONSES TO STAFF'S
REQUESTS FOR INFORMATION**


STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Matthew Hiles, acting in his capacity as a partner and officer of the Applicant, AIRW-2017-7, L.P., a Texas limited partnership, who, after being by me duly sworn did upon his oath depose and say that (i) he provided information responsive to the PUC Staff's Requests for Information (Staff 2-11 through Staff 2-1, inclusive) in PUC Docket No. 50041, and (ii) he has read the foregoing Answers to Responses to Staff's Requests for Information (Staff 2-1 through Staff 2-11, inclusive), and that the same are true and correct to the best of his personal knowledge and belief.


Matthew Hiles, ~~Executive~~ Vice President

SIGNED before me on September 24, 2020, by Matthew Hiles acting in his capacity as a partner and officer of AIRW-2017-7, L.P., a Texas limited partnership.





Notary Public
Notary Name: Nickelle Benson
Number: 128109768
Commission Expires: November 18, 2021

**VERIFICATION OF RESPONSES TO STAFF'S
REQUESTS FOR INFORMATION**

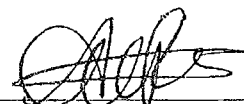
STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

BEFORE ME, the undersigned authority, on this day personally appeared Kaveh Khorzad, acting in his capacity as President of Wet Rock Groundwater Services LLC, a Texas limited liability company, acting as consultant to Applicant in this Docket No. 50041, who, after being by me duly sworn did upon his oath depose and say that (i) he provided information responsive to the PUC Staff's Requests for Information (Staff 2-9 through Staff 2-10, inclusive) in PUC Docket No. 50041, and (ii) he has read the foregoing Answers to Responses to Staff's Requests for Information (Staff 2-9 through Staff 2-10, inclusive), and that the same are true and correct to the best of his personal knowledge and belief.



Kaveh Khorzad, President

SIGNED before me on September 29th, 2020, by Kaveh Khorzad, acting in his capacity as President of Wet Rock Groundwater Services LLC, a Texas limited liability company, consultant to Applicant AIRW 2017-7, L.P.



Notary Public
Notary Name: Alpa Patel
Number: 129477449
Commission Expires: 07/02/2021

CERTIFICATE OF SERVICE

I hereby certify by my signature below, that on this 29th day of September, 2020, a true and correct copy, and three copies, of the foregoing Applicant's Responses To PUC Staff's Second Set Of Requests For Information numbered RFI Staff 2-1 through Staff 2-11, inclusive was:

- (i) electronically e-filed with the Commission pursuant to Rule 22.74 and the Commission's Order in Docket No. 50664 addressing Covid-19 Pandemic conditions, and
- (ii) forwarded via postage prepaid regular first-class mail and/or e-mail, where available, to the Parties to Docket No. 50041 or their legal counsel at the locations shown on the attached service list.

/s/ Edmond R. McCarthy, Jr.
Edmond R. McCarthy, Jr.

SERVICE LIST

Wet Rock Groundwater Resources LLC
Attn: Kaveh Khorzad
317 Ranch Road 620 South, Suite 203
Austin, TX 78734
Tel: (512) 773-3226
E-mail: k.khorzad@wetrockgs.com

Representing Petitioner - AIRW 2017-7, L.P.,
a Texas limited partnership

Ms. Kourtnee Jinks
Legal Division
Public Utility Commission of Texas
P.O. Box 13326
Austin, Texas 78711
Tel.: (512) 936-7265
Fax: (512) 936-7268
E-mail: kourtnee.jinks@puc.texas.gov

Representing Public Utility Commission of Texas –
Legal Division

Appendix “A”

**Rate Study for Docket No. 50041 prepared by
B&D Environmental, Inc. (May 29, 2020)**

B & D ENVIRONMENTAL, INC.

200 HARBOR CIRCLE
GEORGETOWN, TEXAS 78633

PHONE NO: (512) 917-7541

FAX NO: (512) 692-1967

EMAIL: bretfenner@yahoo.com

May 29, 2020

Mr. Matt Hiles
Executive Vice President
AIRW 2017-7, LP
2505 N. State Hwy 360, Suite 800
Grand Prairie, Texas 75050

RE: A Rate Study to Determine the Proposed Water Rates in the Application of AIRW 2017-7. LP to Obtain a Water Certificate of Convenience and Necessity (CCN) in Collin County (Docket No. 50041)

Dear Mr. Hiles:

B & D Environmental, Inc. was retained to perform a study to determine a rate structure that will support the revenue requirement for a proposed public water system to supply service to the Mansions II of Prosper and the Luxe of Prosper. This rate study is being revised based on additional information provided by the utility and from the Application to Obtain a Water CCN, Docket No. 50041. Data used in conducting this rate study can be found in **Attachment 1** and utility's CCN application. Since this utility will be requesting a new CCN a number of assumptions were required to determine a revenue requirement necessary to support the cost of water service to this development. A list of these assumptions can be found in **Attachment 2** of this study.

Based on the available information, a revenue requirement was determined for providing water service to the utility's customer at the end of year one. The projected construction timeline in the application indicates that the system would be completed and providing service within one year. A projected revenue requirement was calculated based on full build out at the end of year one, 2020. The utility will be servicing the Mansions II of Prosper which will have 450 meters and the Luxe of Prosper with 474 meters each for a total meter count of 924 meters. For this study a total of 924 meters was used for all rate structure calculations. A monthly water rates structure per connection was calculated to generate enough income to cover the required cost of service. The calculation of the revenue requirement and a connection monthly rate structure can be found in **Attachment 3** of this study. The recommended rate structure in Attachment 3 rates should recover the revenue requirement necessary for providing water service to the customers of

this utility based on estimated cost. The utility will be required to submit a Rate/Tariff Change Application within 18 months after approval of the requested CCN to support the its revenue requirement once an actual years' worth of cost of service expenses has been determined.

In conclusion, the water rate structure as calculated in Attachment 3 of this study should be used in the utility's CCN application and proposed water tariff. This rate structure should generate a revenue requirement that will cover the projected cost of service expenses based on the total number of connections without an over recover of revenues. Table 1 is the recommended rate structure for the utility.

Table 1: Recommended Water Rate Structure

Monthly Minimum Fee:		
	5/8" x 3/4" Meter	\$ 62.59 per meter
Gallonage Charges:		
	All Gallons	\$ 3.59 per 1,000 gallons

Rate designed with zero gallons included in the base rate

Should you have any questions regarding this rate study, please contact me at (512) 917-7541.

Sincerely,



Bret W. Fenner, P.E.
B & D Environmental, Inc.

ATTACHMENT 1

From: K Khorzad
Sent: Friday, September 6, 2019 8:49 AM
To: Matt Hiles; Bret Fenner
Subject: RE: New water CCN

Bret,
Attached are the engineer's estimated cost for the water lines for the two units (Luxe and Mansions). So total cost for the water system is as follows:

2 Water Wells

<i>C Miller Drilling (Low Bid)</i>	\$1,712,000
Layne Granite	\$3,348,200

Water Treatment Plant

<i>Fryer Construction (Low Bid)</i>	\$1,850,000
Dake Construction	\$2,420,700

Water Distribution System

Luxe	\$723,906
Mansions	\$574,738

Total for Water System

Wells	\$1,712,000
Water Plant	\$1,850,000
Water Distribution	\$1,298,644
TOTAL COST	\$4,860,644

Kaveh Khorzad, P.G. - President
Wetrock Groundwater Services, LLC
Groundwater Specialists
TBPG Firm No: 50038
317 Ranch Road 620 South, Suite 203
Austin, Texas 78734 Ph: 512-773-3226
www.wetrockgs.com

ATTACHMENT 2

Assumptions:

1. Each unit will use an average of 6,000 gallons per month.
2. All water utility plant facilities will be considered developer contributions thus no return on investment component included in cost of service. The distribution system will be owned and maintained by customer and excluded from the depreciation schedule.
3. The estimated total cost of the water system plant and equipment will be \$4,860,644
4. Per the application, the facilities will be completed within the first year. Thus, full build out of the 924 units will be considered completed within one year.

ATTACHMENT 3

AIRW 2017 -7, LP

Water Rate Design Study

Test Period Connections

Metered Connections:

<u>Meter Size</u>	<u>Total Duplex Units</u>	<u>Meters per Duplex Unit</u>	<u>Total Meters</u>
5/8" - 3/4"	462	2	924
1"	0	0	0
1 1/2"	0	0	0
2"	0	0	0
3"	0	0	0
8"	0	0	0
Totals:	462	2	924

Estimated Annual Total Gallons Sold: 6,000 per connection per month x 924 connections x 12 months = 66,528,000

O & M Expense Calculation:

Monthly Minimum Charge:

\$45.06 per meter x 924 each x 12 months	\$ 499,625	
		\$ 499,625

Gallonge Charge per Customer: 6,000 gallons per meter

1 - 5,000 gallons: 924 x \$2.85 x 5 x 12 months	\$ 158,004	
5,001- 6,000 gallons: 924 x \$4.95 x 1 x 12 months	\$ 54,886	
		\$ 212,890

Regional Pass Thru Charge:

66,528,000 gallons ÷ 1000 gallons x \$0.3856 per unit	\$ 25,653	
		\$ 25,653
Total:		\$ 738,168

Estimated Water Revenue Requirement:

Water Cost of Service:

O & M Expenses	\$ 738,168	
Subtotal:		\$ 738,168
Annual Depreciation	\$ 194,426	
Return On Investment	\$ 0	
Subtotal:		\$ 194,426

Total Water Revenue Requirement:

\$ 932,594

Water Rate Structure Per Master Meter:

Monthly Minimum Charge:

Fixed Cost Calculation: \$694,051

Base Rate Calculation: \$694,051 ÷ 924 units ÷ 12 months = \$62.59 per unit

<u>Meter Size</u>	<u>Units per Meter</u>	<u>Monthly Fee / Meter</u>
5/8" - 3/4"	462	\$ 62.59

Gallonge Charge per 1,000 gallons:

Variable Cost: \$238,543

Gallonge Units 66,528,000 Gals. ÷ 1000 = 66,528

Variable Cost Calculation: 238,543 ÷ 66,528 = **\$ 3.59 per 1000 gallons**

AIRW 2017 -7, LP

Depreciation Scehdule						
Test Period Ends:		31-Dec-20				
Utility Plant Cost	Installation Date	Original Cost	Average Service Life	Annual Deprec. Expense	Total Accum. Deprec.	Net Book Value
Wells	1-Jul-20	\$1,712,000	30	\$68,480	\$34,428	\$1,677,572
Water Plant	1-Jul-20	\$1,850,000	30	\$74,000	\$37,203	\$1,812,797
Distribution System	1-Jul-20	\$1,298,644	50	\$51,946	\$26,116	\$1,272,528
Utility Plant Totals:		\$4,860,644		\$194,426	\$97,747	\$4,762,897

Notes:

Note 1. Cost of water utility plant from lowest bid.

Note 2. All water utility facilities considered developer contributions thus no return on investment included in cost of service.