

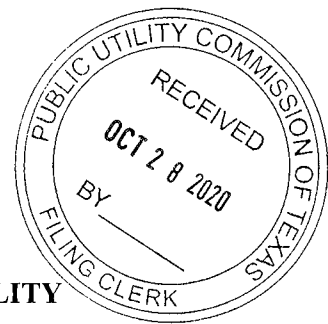


Control Number: 50041



Item Number: 32

Addendum StartPage: 0



PUC DOCKET NO. 50041

**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
THIRD SET OF REQUESTS FOR INFORMATION,
INCLUDING REQUESTS FOR ADMISSIONS**

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 Third Set Of Requests For Information, Including Requests for Admissions, numbered RFI Staff 3-1 through RFI Staff 3-5, inclusive, received on October 8, 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 consultants, Mr. Kaveh Khorzad, P.G., President of Wet Rock Groundwater Services, LLC, and Brett Fenner, P.E., B&D Environmental, Inc..
2. Included herein are sworn "Verifications" from Messrs Hiles, Khorzad and Fenner, 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 THIRD REQUEST FOR INFORMATION,
INCLUDING REQUESTS FOR ADMISSION TO AIRW 2017-7, L.P.
QUESTION NOS. STAFF 3-1 THROUGH STAFF 3-5**

Staff 3-1 Please provide proof of the estimated pass-through costs, and please indicate which entity will be charging the pass-through fees.

Response: The Applicant objects to the Request for Information 3-1 ("RFI 3-1") to the extent Staff has failed to identify with any specificity what "pass-thru fees" RFI 3-1 is referencing. Without waiving its objection, and in an effort to be responsive to Staff's RFI 3-1, Applicant has assumed Staff is referring to the "Regional Pass thru Charge" identified in the Table entitled "O&M Expense Calculation" on page 8 of 9 of the Revised Rate Study dated May 29, 2020, submitted by Applicant in its Supplemental filing dated July 6, 2020 (the "Rate Study"). The O&M Expense Calculation", presented as part of Applicant's overall system Rate Design Study included an estimated total of Pass thru charges equal to \$0.3856 per 1000 gallons unit. For Reference, a copy of the referenced Rate Study is appended hereto as Exhibit No. 1. This was projected to equate to an annual total pass-through amount of \$25,653.00/year

Applicant's projected estimate reflects both know and unknown charges that might be included. Specifically, the utility knew it would be paying fees to the local groundwater conservation district – North Texas GCD – for groundwater it produced for use in its potable water supply inventory. Known to applicant was a minimum fee of \$0.10 per 1000 gallons of nonexempt groundwater production during calendar year 2020. A copy of the North Texas GCD Calendar Year 2020 Fee Schedule is attached hereto as Exhibit No. 2. Unknown to Applicant, due to its lack of operational history was (i) what other eligible pass-through fees it might incur, and (ii) what the known fees might be increased to beyond Calendar Year 2020.

Applicant wants to remind Staff that (i) the pass-through fees were estimated for purposes of completing the requested Rate Design Study, and (ii) Applicant would only be assessing and collecting actual pass-through fees that were incurred, and, finally, (iii) as part of the CCN process, Applicant has anticipated the requirement to reconcile and true-up its rates, including pass-through rates approximately 18 months following commencement of its operations.

Staff 3-2 Pass-through fees are typically separated on a tariff so that they can be changed when necessary through a minor rate change proceeding.

Admit or Deny: AIRW 2017-7, L.P. agrees to including the pass-through fee separately in the final approved tariff.

Response: Admit.

Staff 3-3 (a) Please verify what was provided for the annual depreciation expense in Excel format with formulas intact to show how the annual depreciation expense was calculated.

Response: See Excel Spreadsheet appended hereto as Exhibit No. 3.

(b) Admit or deny: The average service life provided in the worksheet is the same one used to determine the annual depreciation expense.

Response: Admit.

Staff 3-4 Please provide a listing of the expense amounts that support the O&M expense total of \$499,625 on the water rate design study provided on 9/29/2020.

Response: O&M expenses used in the rate design study were based on \$40 per each connection. Since no specific cost data exists for this new utility system to base the actual operating expenses of this utility, this amount was based on operating expenses obtained from rate analysis I (Brett Fenner, P.E.) have performed previously on similar rate analysis..

Staff 3-5 Please provide justification that each expense amount supporting the O&M expense total of \$499,625 is reasonable in amount to provide water service to the requested area.

Response: See response to RFI 3-4 above.

Having provided the requested RFI responses in support of its Application timely for PUC Staff review, the Applicant requests the PUC Staff prepare the final Maps contemplated by the Application and submit them to the Applicant for review and consent 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) 693-2826 (Fax)

ed@ermlawfirm.com

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

VERIFICATION

STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

BEFORE ME, the undersigned authority, on this day personally appeared Brett Fenner, P.E., acting in his capacity as President of B&D Environmental, Inc., a Texas corporation, acting as a 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, Including Requests for Admission (Staff 3-1 through Staff 3-5, inclusive) in PUC Docket No. 50041, and (ii) he has read the foregoing Answers to Responses to Staff's Requests for Information, Including Requests for Admission (Staff 3-1 through Staff 3-5, inclusive), and that the same are true and correct to the best of his personal knowledge and belief.

Brent Fenner, President

SIGNED before me on October 28, 2020, by Brent Fenner, P.E., acting in his capacity as President of B&D Environmental, Inc., a Texas corporation, consultant to Applicant AIRW 2017-7, L.P.

Notary Public

Notary Name: _____
Number: _____
Commission Expires: _____

CERTIFICATE OF SERVICE

I hereby certify by my signature below, that on this the 28th day of October, 2020, a true and correct copy of the foregoing Applicant's Responses To PUC Staff's Third Set Of Requests For Information, Including Requests for Admission, numbered RFI Staff 3-1 through Staff 3-5, 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

Exhibit No. 1

Rate Study - 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
Gallonge 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>	<i>\$1,712,000</i>
Layne Granite	\$3,348,200

Water Treatment Plant

<i>Fryer Construction (Low Bid)</i>	<i>\$1,850,000</i>
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 Scedhule						
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

Exhibit No. 2

NORTH TEXAS GCD – 2020 Fee Schedule



2020 Fee Schedule

Well Registration Fee****	\$100
Well Driller Log Deposit Fee***	\$100 (refundable if log submitted within 60 days)
Agricultural Water Use Fee**	\$1 per acre-foot
Non-Exempt Water use Fee**	\$0.10 per 1,000 gallons
Failure to Pay Water Use Fee within 30-days*	15%
Failure to Pay Water Use Fee within 60-days*	Major Violation – See Appendix A of the Temporary Rules for schedule of Violations

* Adopted on August 12, 2014 in Temporary Rules

** Adopted on July 14, 2015 by Resolution No. 2015-07-14-2

*** Adopted on January 10, 2012 by Resolution No. 2012-01-10-3

**** Adopted on February 12, 2013 by Resolution No. 2013-02-12-2

Amended February 12, 2013

Exhibit No. 3

Excel Spreadsheet

AIRW 2017 -7, LP

AIRW 2017 -7, LP

Water Rate Design Study				Depreciation Schedule						
First Year Projections				Test Period Ends: 31-Dec-20						
Meter Equivalents:				Utility Plant Cost	Installation Date	Original Cost	Average Service Life	Annual Deprec. Expense	Total Accum. Deprec.	Net Book Value
Meter Size	Total Units	Equivalent Factor	Total Units							
5/8" - 3/4"	924	1	924							
1"	0	2.5	0							
1 1/2"	0	5	0							
2"	0	8	0	Wells	1-Jul-20	\$1,712,000	30	\$68,480	\$34,428	\$1,677,572
3"	0	15	0	Water Plant	1-Jul-20	\$1,850,000	30	\$74,000	\$37,203	\$1,812,797
4"	0	20	0	Distribution System	1-Jul-20	\$1,298,644	50	\$25,973	\$39,102	\$1,259,542
Total Meter Equivalents:	924		924	Utility Plant Totals:		\$4,860,644		\$168,453	\$110,733	\$4,749,911

Estimated Annual Total Gallons Sold: 6,000 per connection per month x 480 connections x 12 months = 34,560,000

Notes:

Estimated Water Revenue Requirement:

Water Cost of Service:

O & M Expenses	\$	443,520	
Subtotal:			\$ 443,520
Annual Depreciation	\$	168,453	
Return On Investment	\$	0	
Subtotal:			\$ 168,453

Total Water Revenue Requirement: \$ 611,973

Note 1 Cost of water utility plant from lowest bid

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

Note 3 Rate structure allocated: Fixed cost 67% and variable cost 33%. No gallons included in the base rate

Water Rate Structure:

Monthly Base Rate:

Fixed Cost Calculation: \$ 611,973 x .67 = \$ 410,022

Base Rate Calculation: \$ 410,022 ÷ 480 meter equivalents ÷ 12 months = \$ 71.18

Meter Size	Equivalent Factor	Base Rate/Meter Size
5/8" - 3/4"	1	\$ 71.18

Gallage Rate:

Variable Cost Calculation: \$ 611,973 x .33 = \$ 201,951

Gallage Units: 34,560,000 Gals ÷ 1000 = 34,560

Variable Cost Calculation: 201,951 ÷ 34,560 = \$ 5.84 per 1000 gallons

AIRW 2017 -7, LP

AIRW 2017 -7, LP

Water Rate Design Study			
Second Year Projections			
Meter Equivalents:			
Meter Size	Total Units	Equivalent Factor	Total Units
5/8" - 3/4"	924	1	924
1"	0	2.5	0
1 1/2"	0	5	0
2"	0	8	0
3"	0	15	0
4"	0	20	0
Total Meter Equivalents:	924		924

Depreciation Schedule						
Test Period Ends:		31-Dec-21				
Utility Plant Cost	Installation Date	Original Cost	Average Service Life	Annual Deprec. Expense	Total Accum. Deprec.	Net Book Value
Wells	1-Jul-19	\$1,712,000	30	\$68,480	\$171,953	\$1,540,047
Water Plant	1-Jul-19	\$1,850,000	30	\$74,000	\$185,813	\$1,664,187
Distribution System	1-Jul-19	\$1,298,644	50	\$25,973	\$65,218	\$1,233,426
Utility Plant Totals:		\$4,860,644		\$168,453	\$422,983	\$4,437,661

Notes:

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

Note 1 Cost of water utility plant from estimates.

Estimated Water Revenue Requirement:

Water Cost of Service:			
Operations Expenses	\$	443,520	
Subtotal	\$		443,520
Annual Depreciation	\$	168,453	
Return On Investment	\$	0	
Subtotal	\$		168,453
Total Water Revenue Requirement:	\$		611,973

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

Note 3 Rate structure allocated Fixed cost 67% and variable cost 33% No gallons included in the base rate

Water Rate Structure:

Monthly Base Rate

Fixed Cost Calculation \$ 611,973 x .67 = \$ 410,022

Base Rate Calculation: \$ 410,022 ÷ 924 meter equivalents ÷ 12 months = \$ 36.98

Meter Size	Equivalent Factor	Base Rate/Meter Size
5/8" - 3/4"	1	\$ 36.98

Gallage Rate

Variable Cost Calculation \$ 611,973 x .33 = \$ 201,951

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

Variable Cost Calculation 201,951 ÷ 66,528 = \$ 3.04 per 1000 gallons