Control Number: 51660

Item Number: 12

Addendum StartPage: 0

B & D ENVIRONMENTAL, INC.
200 HARBOR CIRCLE
GEORGETOWN, TEXAS 78633
PHONE NO: (512) 917-7541
FAX NO: (512) 692-1967
EMAIL: bretfenner@yahoo.com

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CITY COMMISSION
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June 8, 2021

Mr. R.J. Collins
Salado Center
P.O. Box 249
Salado, Texas 76571

RE: A Rate Study to Determine the Proposed Sewer Rates for The Salado Center in Bell County, Texas

Dear Mr. Collins:

B & D Environmental, Inc. was retained to perform a study to determine a rate structure that will support the revenue requirement for proposed wastewater service for the Salado Center development in Salado, Texas. This rate study was conducted using financial and utility cost data provided from the utility's construction estimates, which can be found in **Attachment 1**. Since this utility will be requesting a new CCN and has no previous operational history, a number of assumptions were required to determine a revenue requirement necessary to support the cost of wastewater service to this development during the first 18-month period. A list of these assumptions can be found on page 3 of this study. The probable cost for the construction of the wastewater plant during the first 18 months used in this study was provided by the utility's engineer and can also be found in Attachment 1.

The revenue requirement was determined in this study for providing wastewater service to the utility's customers based on all living units' equivalents (LUE) being of the same demand quantity and flow strength. If any one customer requirements place a larger than normal demand then an adjustment to these rates would need to be made. If any customer's flow requires a form of pretreatment due to a higher strength or contamination, then a pretreatment agreement should be required that would mandate either that customer pretreats its flow to acceptable levels or pays for the additional treatment. The calculation of customer monthly rates for this proposed utility can be found in **Attachment 2** of this study. The rates were determined to recover the revenue requirement necessary for providing wastewater service to the customers of this utility at the estimated cost levels provided for the initial 18-month period of operation. The utility will be required to submit a Rate/Tariff Change Application within 18 months after approval of a requested Certificate of Convivence and Necessity (CCN) to support the proposed rates. In the future, the utility will

want to submit a rate/tariff change application to request rates that cover its necessary revenue requirement based on an actual cost of service during the initial operating period. In conclusion, the wastewater rate structure as proposed in this study based on the estimated costs should be used in the utility's CCN application and proposed sewer tariff. This rate structure should generate a revenue requirement that will cover the projected cost of service to customers of the wastewater utility without an over recover of revenues during the initial operating period. Table 1 is the proposed monthly flat rate for the utility.

Table 1: Proposed Wastewater Monthly Fee

Proposed Sewer Tariff Rate	**Monthly Flat fee: $ 44.78**

Rate designed with no gallonage 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.

Assumptions:

1. All wastewater facilities and collection system are considered developer contributions thus no return-on-investment component included in cost of service.

2. The estimated total cost of the wastewater facilities and equipment during the first 18 months period will be $1,557,581

3. Estimated operating expenses for the utility were determined to be $576,140 annual.

4. An estimated 1200 LUE's will be served at the end of the first 18 months of operation.

ATTACHMENT 1

Budget for Wastewater Operations At Buildout of 1200 LUES

Expenditures	Annual Budget
Sewer Expenditures	
Contract Labor	312,440
Water	15,000
phone, Internet	4,000
Electricity	50,000
Supplies	2,500
Lab Testing	30,000
Chemicals	45,000
Sludge Disposal	86,000
Trash	1,200
Equipment repairs	20,000
Permits	10,000
Total Sewer Expenditures	576,140
Revenue over Expenditures	$130,060.00

Operation company pays for all employee taxes, provides insurance for operations. Utility just pays operation company set fee

From: Jamie Miller <jmiller@integratedwaterservices.com>
Sent: Wednesday, October 14, 2020 8:43 AM
To: 'Evans, Zachariah T.' <ZEvans@mcginnislaw.com>
Cc: 'RJ Collins' <rjcollins40@yahoo.com>; 'plinehan@lsiaustin.com' <plinehan@lsiaustin.com>
Subject: Lift station design and wwtp Costs

Sorry for the delay in getting this to you guys:

Total Cost

Lift station design:	$ 10,250
WWTP design:	$ 157,500
WWTP construction:	$1,051,829

Let me know if you have any questions or comments.

Thanks

Jamie L Miller, P.E.

Director of Engineering

Integrated Water Services

Direct 303-993-3713

Mobile 970-443-9096

ATTACHMENT 2

Salado Center

Sewer Rate Design Study

Meter Equivalents:

Type	Total LUE	Equivalent Factor	Meter Equivalents
Residential	0	1	0
Commerical	1200	1	1200
Other	0	1	0
Total Meter Equivalents:	1200		1200

Estimated Water Revenue Requirement:

Water Cost of Service:

O & M Expenses	$ 576,140		
		$	576,140
Property Taxes	$ 120		
Income Taxes	$ 1,084		
Annual Depreciation	$ 62,303		
Return On Investment	$ 5,164		
Subtotal:		$	68,671
Total Water Revenue Requirement:		**$**	**644,811**

Wastewater Rate Structure:

Monthly Flat Fee:

Flat Fee Calculation: $ 644,811 ÷ 1200 LUE's ÷ 12 months = $ 44.78

Meter Size	Equivalent Factor	Monthly Flat Fee
All Connections	1	**$ 44.78**

Salado Center

Depreciation Scehdule

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**
Wastewater Treatment Facilities	1-Mar-21	$1,051,829	33	$42,073	$35,254	$1,016,575
Lift Station	27-Sep-20	$338,002	33	$13,520	$17,086	$320,916
Engineering	1-Mar-21	$167,750	33	$6,710	$5,622	$162,128
Utility Plant Totals:		**$1,557,581**		**$62,303**	**$57,962**	**$1,499,619**

Return & Income Tax Calculation

Net Book Value	$	0
Working Capital	$	72,018
	$	72,018
Return on Investment:	$	5,164
Income Tax:	$	1,084

Note 1. Cost of wastewater facilities provided from engineer estimates.

Note 2. All facilities considered developer contributions thus no return on investment capital.

Note 4. Return on Invested - BAA Bond Rating (November , 2020) 3.17% plus 4% = 7 17%

Note 5. Income Tax: 21% Corp. tax rate

Note 6. Property tax from Bell Central Appraisal District 2020 Property Value