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**PETITION BY SIG MAGNOLIA LP § BEFORE THE**  
**FOR EXPEDITED RELEASE §**  
**FROM WATER CCN NO. 11052 § PUBLIC UTILITY COMMISSION**  
**HELD BY DOBBIN PLANTERSVILLE §**  
**WATER SUPPLY CORPORATION § OF TEXAS**

**SIG MAGNOLIA LP'S APPRAISER'S REPORT**

TO THE PUBLIC UTILITY COMMISSION OF TEXAS:

COMES NOW, SIG Magnolia LP ("SIG Magnolia") and files this, its Appraiser's Report, attached hereto as Exhibit 1 as required by the Commission's Final Order and Order No. 11. The April 11, 2022 Appraiser's Report was prepared by Chris Ekrut and Zak Wright with NewGen Strategies & Solutions, a management and economic consulting firm specializing in serving the utility industry, including the valuation of utility property. Using the factors for compensation set out in Texas Water Code § 13.254(g), the Report concludes that Dobbin Plantersville Water Supply Corporation should be compensated \$44,527 for debt service allocable to the decertified area and legal expenses and professional fees.

Respectfully submitted,

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BY: *Emily W. Rogers*  
Emily W. Rogers

**CERTIFICATE OF SERVICE**

I certify that a copy of this document was served on all parties of record via email on April 11, 2022, in accordance with the requirements of 16 Tex. Admin. Code § 22.74 and PUC Order No. 2 in Docket No. 50664.

*Emily W. Rogers*  
Emily W. Rogers

Exhibit 1  
Appraiser's Report

# NewGen Strategies & Solutions

www.newgenstrategies.net

REPORT



## COMPENSATION FOR DECERTIFICATION OF A PORTION OF DOBBIN PLANTERSVILLE WATER SUPPLY CORPORATION'S CERTIFICATE OF CONVENIENCE AND NECESSITY

APRIL 11, 2022

Prepared for:  
Bickerstaff Heath Delgado Acosta LLP  
3711 S. Mo-Pac, Building One, Suite 300  
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April 11, 2022

Ms. Emily Rogers  
Managing Partner  
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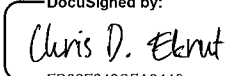
**Re: Decertification Compensation - Report**


Dear Ms. Rogers:

We are pleased to provide Bickerstaff Heath Delgado Acosta LLP with a summary report for the appraisal to determine appropriate compensation for the expedited decertification of a portion of Dobbin Plantersville Water Supply Corporation's service area covered under water certificate of convenience and necessity number 11052.

If you have any questions concerning this report, please do not hesitate to contact us.

Sincerely,

DocuSigned by:  
  
FB62F346CFA8440...  
Chris Ekrut, Chief Financial Officer

DocuSigned by:  
  
1870379CE9854F5...  
Zak Wright, ASA

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## **Section 1**

# **PREMISE OF THE APPRAISAL**

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Bickerstaff Heath Delgado Acosta LLP (Bickerstaff or Client) retained NewGen Strategies and Solutions, LLC (NewGen) to perform an independent appraisal to determine appropriate compensation for the decertification of a portion of Dobbin Plantersville Water Supply Corporation's (DPWSC or Certificate Holder) service area covered under water certificate of convenience and necessity (CCN) number 11052. The particular area at issue in this analysis (Decertified Area) is composed of one contiguous tract of land in Montgomery County, Texas. The Decertified Area was requested to be decertified via streamlined expedited release, as codified in Texas Water Code §13.2541 and Texas Water Code §13.254, by SIG Magnolia LP (Petitioner) in Docket No. 51979 at the Public Utility Commission of Texas (PUCT).

### **Scope of Services**

The purpose of the appraisal is to determine appropriate compensation for the decertification in accordance with applicable laws, statutes and the Uniform Standards of Professional Appraisal Practice (USPAP). In particular, the conduct of this analysis was dictated by 13.2541 and the compensation factors specified in Texas Water Code §13.254(g). Thus, NewGen relied upon a jurisdictional exception to conduct the scope of services as described herein. This report does not offer, nor shall it be construed to offer, any opinion on the ability of the Certificate Holder to provide water service on a continuous and adequate basis at the level required by the Petitioner. This report was prepared in conformance with the 2020-2021 Edition of USPAP as promulgated by the Appraisal Standards Board of the Appraisal Foundation (extended through December 31, 2022).

### **Date of Valuation**

The compensation was determined as of March 18, 2022.

### **Date of Report**

The date of this report is April 11, 2022.

### **Factors for Compensation**

The factors ensuring just and adequate compensation in Texas Water Code §13.254(g) include:

- The value of real property owned and utilized by the retail public utility for its facilities (as determined according to the standards set forth in Chapter 21, Property Code, governing actions in eminent domain);
- The amount of the retail public utility's debt allocable for service to the area in question;
- The value of the service facilities of the retail public utility located within the area in question;
- The amount of any expenditures for planning, design, or construction of service facilities that are allocable to service to the area in question;





## Section 1

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- The amount of the retail public utility's contractual obligations allocable to the area in question;
- Any demonstrated impairment of service or increase of cost to consumers of the retail public utility remaining after the decertification;
- The impact on future revenues lost from existing customers;
- Necessary and reasonable legal expenses and professional fees; and
- Other relevant factors.

## **NewGen Strategies and Solutions**

NewGen Strategies and Solutions, LLC is a management and economic consulting firm specializing in serving the utility industry and market. We provide financial, valuation, strategy, expert witness, stakeholder and sustainability consulting services to water, wastewater, solid waste, and energy clients across the country. Our expertise includes litigation support in state and federal regulatory proceedings, valuation of utility property, business and financial planning, and strategic planning for electric, water, wastewater, solid waste, and natural gas utilities.

## Section 2

# ASSUMPTIONS, CONSIDERATIONS AND LIMITING CONDITIONS

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In the preparation of this report, NewGen has made certain assumptions and used certain considerations with respect to conditions which may exist or events which may occur in the future. While we believe these considerations and assumptions to be reasonable based upon conditions known to us as of the date of this report, they are dependent upon future events and actual conditions may differ from those assumed.

While we believe the use of such information and assumptions to be reasonable for the purposes of this report, we offer no other assurances with respect thereto, and some assumptions may vary significantly due to unanticipated events and circumstances. To the extent actual future conditions differ from those assumed herein, or from the assumptions provided by others, the actual results may vary from those estimated.

The conclusion and opinions found in this report are made expressly subject to the following conditions and stipulations:

- Extraordinary Assumptions<sup>1</sup>
  - NewGen assumed it was reasonable that the Decertified Utility’s existing facilities at Water Plant #9 (Nearby Facilities) were planned and designed to accommodate connection density based on the on-site sewage facility (e.g., septic tank) regulations in Montgomery County, which this report refers to as a “rural standard” of development<sup>2</sup>. NewGen’s analysis is limited to the level of development that the Decertified Utility’s existing facilities may be able to serve based on review of publicly available data. This is described in further detail, below, in the analysis of compensation factor two.
  - NewGen assumed the Nearby Facilities were designed and constructed to serve the demand from the High Meadows Estates development and some additional general growth in the surrounding area. NewGen assumes that this is reasonable based upon our review of the testimony summarizing the planning and design of these Nearby Facilities<sup>3,4</sup> prior to the initial contact between the Petitioner and Certificate Holder<sup>5,6</sup>.

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<sup>1</sup> Extraordinary assumptions, in the context of this analysis, are statements that are believed to be true but, if found to be false, could alter the opinions or conclusions of value. (USPAP Definitions)

<sup>2</sup> Montgomery County Environmental Health Services, How to Obtain a Permit to Construct a Septic System and Obtain a Notice of Approval for Operation and Use of a New Septic System in Montgomery County, Revised October 13, 2014

<sup>3</sup> Docket 51979, Dobbin Plantersville Water Supply Corporation’s Response to SIG Magnolia LP’s Petition for Streamlined Release, and Motion to Dismiss, Dated June 17, 2021, Exhibit B (items 7-10)

<sup>4</sup> Docket 51979, Dobbin Plantersville WSC’s Supplemental Response to SIG Magnolia’s Requests for Information, Dated August 24, 2021, Exhibit 3

<sup>5</sup> Docket 51979, Sig Magnolia LP’s Response to Dobbin Plantersville Water Supply Corporations’ Response to SIG Magnolia LP’s Petition for Streamlined Expedited Release and Motion to Dismiss, Dated June 24, 2021, Affidavit of Juanita Orsak

<sup>6</sup> Docket 51979, Sig Magnolia LP’s Response to Dobbin Plantersville Water Supply Corporations’ Response to SIG Magnolia LP’s Petition for Streamlined Expedited Release and Motion to Dismiss, Dated June 24, 2021, (section I)



## Section 2

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- NewGen assumes that the estimated connection count and a ten-year timeline for the complete buildout of the Decertified Area is reasonable. This assumption results in approximately 53 connections per year in the Decertified Area.
- DPWSC estimates the Nearby Facilities have capacity to serve approximately 500 connections<sup>7</sup>. It is noted that DPWSC estimates a greater number of connections could potentially be served by the Nearby Facilities under an alternative capacity<sup>8</sup>. DPWSC has not provided data to confirm this capability, to NewGen's knowledge, as of the date of this report.
- The planned buildout of the High Meadow Estates development, as of the date of this report, will result in approximately 255 total water service connections on the Nearby Facilities<sup>9</sup>.
- The scope of work was dictated by Texas Water Code §13.2541 and Texas Water Code §13.254(g) and, thus, NewGen relied on a jurisdictional exception to conduct the scope of services as described herein.
- No personal inspection of the property that is the subject of this report was made.
- No responsibility is assumed by NewGen for matters that are legal in nature, nor does NewGen render any opinion as to the title, land and/or land rights, which are assumed to be good and marketable. No opinion is intended to be expressed for matters that would require specialized investigation or knowledge beyond that normally used by an appraiser engaged in valuing the type of system described in this report.
- NewGen made no determination as to the validity, enforceability, or interpretation of any law, contract, rule, or regulation applicable to the water system or its operation. However, for the purposes of this report, NewGen assumed that all such laws, contracts, rules, and regulations will be fully enforceable in accordance with their terms as NewGen understands them and that the operators of the water system will operate the utility in accordance with all applicable laws, contracts, rules, and regulations. NewGen assumed that the water system conforms to all applicable zoning and use regulations and restrictions.
- We assume there are no hidden conditions that would make the Decertified Area more or less valuable.
- Individuals affiliated with NewGen and contributing to this report are Mr. Chris Ekrut, Chief Financial Officer, Mr. Zak Wright, ASA, Manager and Mr. Nick Coomer, Consultant.
- The studies and analyses undertaken in the preparation of the opinions contained herein have been performed in accordance with USPAP.

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<sup>7</sup> Docket 51979, Dobbin Plantersville WSC's Motion for Rehearing, Dated February 25, 2022

<sup>8</sup> Docket 51979, Dobbin Plantersville WSC's Motion for Rehearing, Dated February 25, 2022

<sup>9</sup> High Meadow Estates: Overall Map, <https://highmeadowtx.com/high-meadows-estates/#map>, Accessed March 15, 2022

## Section 3 ANALYSES

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### Introduction

The compensation factors contained in Texas Water Code §13.254(g) are designed to ensure the utility losing a portion of its service territory, or CCN, (the Decertified Utility) is not financially harmed by the decertification. These factors are intended to provide just and adequate compensation to the Decertified Utility so that the remaining customers of the Decertified Utility will not have to bear a greater portion of the Decertified Utility's total costs as a result of the decertification. Water utilities are fixed cost intensive entities, which make investments in infrastructure in order to provide water service to existing and expected future customers. Water utilities are tasked with planning for the provision of service to future customers and, further, water utilities have an obligation to provide continuous and adequate service to the area within their CCN, as required under Chapter 13 of the Texas Water Code.

In this particular circumstance, the Decertified Area is composed of undeveloped land recently released from DPWSC's CCN.<sup>10</sup> The PUCT has determined the Decertified Area is not currently receiving water service.<sup>10</sup> However, DPWSC contends it is capable of serving the water needs of the Decertified Area.<sup>11</sup>

### Analysis of Factors for Compensation

1. **Factor:** The value of real property owned and utilized by the retail public utility for its facilities (as determined according to the standards set forth in Chapter 21, Property Code, governing actions in eminent domain)

**Analysis:** There is no real property being transferred as a result of the decertification nor any real property rendered useless or permanently under-utilized as a result of the decertification.<sup>12</sup> Therefore, there is no compensation due related to this factor.

2. **Factor:** The amount of the retail public utility's debt allocable for service to the area in question

**Analysis:** DPWSC has issued debt to fund the planning, design, and construction of facilities to provide water service to existing and future customers within its CCN. It is noted, however, that DPWSC did not provide information to detail of the specific projects and improvements that were funded through existing debt service. DPWSC provided annual financial statements in an RFI response that summarize the annual debt service payments on all outstanding debt<sup>13</sup>. This payment schedule is included in the attached Schedule 1, Table 2.

If the decertification had not occurred, DPWSC might have been able to recover a portion of the fixed debt service costs from future connections within the Decertified Area. However, the number of connections that would be expected to be able to share in the debt service cost is limited by the

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<sup>10</sup> Docket No. 51979, Order, dated January 31, 2022

<sup>11</sup> Docket No. 51979, Dobbin Plantersville WSC's Motion for Rehearing, Dated February 25, 2022

<sup>12</sup> Docket No. 51979, Dobbin Plantersville WSC's Response to SIG Magnolia's Requests for Information, dated August 10, 2021

<sup>13</sup> Docket No. 51979, Dobbin Plantersville WSC's Response to SIG Magnolia's Request for Information, Dated August 10, 2021

## Section 3

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existing capacity to serve the Decertified Area. The Decertified Utility's Nearby Facilities may have excess capacity, though NewGen has not seen conclusive evidence that this is the case, which could potentially serve a portion of any future demand from the Decertified Area. These facilities are part of a larger water system designed to serve the current and future demand from the High Meadow Estates development and surrounding areas.<sup>3</sup>

### **Assumed Connections in the Decertified Area**

NewGen assumed that the 2021 water connection count of 2,049, provided by DPWSC, was an accurate representation of the active connections on the existing DPWSC system. NewGen assumed that Nearby Facilities could support approximately 500 additional retail connections, less the 255 retail connections reserved for the High Meadow Estates development. This indicates that the Nearby Facilities may have excess capacity to serve an additional 245 connections. According to the 2021 Regional Water Plan,<sup>14</sup> the population in DPWSC's Montgomery County service area is projected to grow at approximately 3.05%, annually, from 2020 to 2030. This growth rate is approximately 2.55%, annually, over the same period when adjusted to exclude the estimated new connections in the Decertified Area, detailed further in the following discussion.

NewGen estimated the buildout of the Decertified Area, using the rural standard of development as described in Section 2 of this report and discussed in further detail below, would result in approximately 533 new connections. This was based on the approximately 666 acres in the Decertified Area, less 20% for undevelopable purposes (e.g., roadways, creeks, stormwater ditches, etc.), leaving approximately 533 net acres for development. NewGen assumed the development would be composed of one single-family dwelling per net acre for development based on the on-site sewage facility (e.g., septic tank) regulations in Montgomery County.<sup>15</sup> This is consistent with a rural standard of development, as discussed in Section 2 of this report. NewGen is not aware of any nearby wastewater system capable of providing retail wastewater service to the Decertified Area<sup>16</sup>. On-site sewage facilities are a necessity for any future development of the Decertified Area in the absence of a retail wastewater utility.

### **Compensation**

Schedule 1, Table 3 shows the forecasted growth in retail connections for the Nearby Facilities and the Decertified Area based on an assumed ten-year buildout period. Table 3 also shows the debt service allocated to the Decertified Area by multiplying the annual allocation of debt service to each retail connection according to cumulative connection growth in the Remaining System and the Decertified Area. NewGen assumes for the purposes of this report that the Decertified Area will reach buildout of 533 connections through steady growth over a ten-year period beginning 2022, resulting in 53 new connections on an annual basis. The allocation of debt service costs to the Decertified Area is based on the cumulative connections in the Decertified Area less organic growth on the Remaining System on an annual basis. This allocation ceases when the organic growth on the Montgomery County System reaches the maximum connection capacity for the Nearby Facilities.

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<sup>14</sup> Texas Water Development Board, 2021 Regional Water Plan – Population Projections for 2020-2070 for Water Users Groups by Region and County, dated March 28, 2019

<sup>15</sup> Montgomery County Environmental Health Services, How to Obtain a Permit to Construct a Septic System and Obtain a Notice of Approval for Operation and Use of a New Septic System in Montgomery County, Revised October 13, 2014

<sup>16</sup> Public Utility Commission: Water and Sewer CCN

Viewer, <https://www.puc.texas.gov/industry/water/utilities/map.aspx>, Accessed March 25, 2022

Schedule 1, Table 2, shows the debt service allocated to the Decertified Area by multiplying the annual allocation of debt service to each retail connection. This dollar amount is multiplied by the additional connections that could be supported in the Decertified Area, less the projected annual new connections in the Facilities Nearby the Decertified Area, on a cumulative basis. Allocations are made at the beginning of each projection year based on the cumulative new connections present in the Nearby Facilities at the end of the prior year. Finally, the debt service allocated to the Decertified Area by year is discounted to represent the present value today based on a 4.50% discount rate.<sup>17</sup> This discount rate was selected to represent the approximate cost of debt for DPWSC, based on the information made available during the discovery process. DPWSC is a non-profit entity that exists to provide water service to its members, subject to the provisions of Chapter 67 of the Texas Water Code and does not operate to deliver a monetary return to members from capital investments in the System. DPWSC's cost of capital, or opportunity cost, to invest in projects, is equal to its effective cost of debt to finance projects in the System. The present value of the debt service allocated to the Decertified Area equals **\$27,714**.

3. **Factor:** The value of the service facilities of the retail public utility located within the area in question

**Analysis:** NewGen understands there are no facilities owned by DPWSC currently located within the Decertified Area nor have we been made aware of any facilities rendered permanently useless or under-utilized as a result of the decertification. Thus, there is no compensation due related to this factor.

4. **Factor:** The amount of any expenditures for planning, design, or construction of service facilities that are allocable to service to the area in question

**Analysis:** NewGen is not aware of any expense incurred due to the development of any master plan or engineering design specific to Docket 51979. Engineering expenses related to the decertification are included in Factor 8, below.

5. **Factor:** The amount of the retail public utility's contractual obligations allocable to the area in question

**Analysis:** Although DPWSC's Montgomery System is located in the Lone Star Groundwater Conservation District, DPWSC did not provide any indication of contractual obligations that would be allocable to the Decertified Area and NewGen's efforts to identify any relevant contractual obligations did not identify any relevant obligations. Review of a recent audited financial statement for DPWSC indicates that all assessments from regional water authorities are applied on a volumetric basis determined by pumpage and, therefore, variable in nature and not applicable for compensation. Further, the PUCT has determined the Decertified Area is not currently receiving water service, as discussed above. Thus, there is no compensation due related to this factor.

6. **Factor:** Any demonstrated impairment of service or increase of cost to consumers of the retail public utility remaining after the decertification

**Analysis:** NewGen did not identify the need for any incremental compensation related to this factor. There was no demonstrated impairment of service and the only potential source of increased cost to remaining DPWSC customers were addressed in compensation factors 2 and 8.

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<sup>17</sup> Dobbin Plantersville Water Supply Company, Audited Financial Statements, For the Years Ended December 31, 2020

### Section 3

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7. **Factor:** The impact on future revenues lost from existing customers

**Analysis:** Given there are no existing customers being taken from DPWSC in this decertification, NewGen did not identify any relevant compensation for this factor.

8. **Factor:** Necessary and reasonable legal expenses and professional fees

**Analysis:** DPWSC is entitled to recovery of any necessary and reasonable legal expenses and professional fees related to this decertification NewGen was provided estimated legal expenses and professional fees related to this decertification. At the time these costs were estimated, legal expenses were approximately \$9,366 and professional fees from DPWSC's engineer were approximately \$7,447. The total compensation for this factor is **\$16,813**. However, compensation for this factor may need to be updated at a later date if additional professional expenses related to this decertification are incurred. It should be noted that NewGen is recommending compensation for the certification process within the scope of docket 51979. Any professional expenses incurred related to DPWSC's filing in Federal District Court are assumed to be separate from the amounts above provided during the discovery process. NewGen is not making any recommendation regarding DPWSC's active case in the Federal District Court.

9. **Factor:** Other relevant factors.

**Analysis:** NewGen did not identify any other relevant factors requiring compensation.

### Conclusions

The resulting compensation for decertification under Texas Water Code §13.254(g) is summarized in Table 3-1.

**Table 3-1  
Compensation Summary**

Factor Allocable to Decertified Area	Compensation
Debt Service	\$ 27,714
Legal Expenses and Professional Fees *	16,813
	\$ 44,527

\* May need to be updated if additional expenses related to this decertification are incurred

## Section 4 CERTIFICATION


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I, the undersigned, certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the Client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice (2020-2021 Edition) (extended through December 31, 2022)*.
- No personal inspection of the property that is the subject of this report was made.
- Chris Ekrut (Chief Financial Officer and Partner at NewGen Strategies and Solutions, LLC) and Nick Coomer (Consultant at NewGen Strategies and Solutions, LLC) provided significant personal property appraisal assistance to the person signing this certification.

Respectfully submitted,

**NewGen Strategies & Solutions, LLC**

DocuSigned by:  
  
1870379CE9854F5...  
Zak Wright, ASA  
April 11, 2022





NewGen  
Strategies & Solutions



**SCHEDULE 1:  
ALLOCATION OF  
DEBT SERVICE TO THE  
DECERTIFIED AREA**

**Table 1**  
**Assumptions**  
**General Assumptions for Fixed Cost Allocation**

**Montgomery County**

<b>Dobbin Plantersville Water Company - Growth Projections [1]</b>	2020	2030
Population Projections	8,335	11,255
Potential Annual Connection Growth	3.05%	

**Grimes County**

<b>Dobbing Plantersville Water Company - Growth Projections [1]</b>	2020	2030
Population Projections	1,794	2,078
Potential Annual Connection Growth	1.48%	

**2020 - 2030 Normalized Growth Rate [2]**

Potential Connections - Decertified Area	533
Dobbin Plantersville WSC - Montgomery County [3]	2.55%

**Current Connection Count [3]**

Montgomery County	1,281
Grimes County	768
Dobbin Plantersville Water Company- Total System	2,049

**Maximum Additional Connections [4]**

Water Facility #9	500
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**Cost of Debt [5]**

4.50%

**Rural Standard Approach [6]**

Acreage of Decertified Area	665.8 Acre
80% Rule	532.6 Acre
Minimum Lot Size Requirement	1 Acre
Additional Homes to be Built in Decertified Area	533 Connections
Years to Build Out	10 Years
New Connections Per Year	53 Connections

**High Meadow Estates [7]**

Planned Buildout	255 Connections
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**Footnotes:**

[1] Data from 2021 Regional Plan - Population Projections 2020-2070 for Water User Groups by Region and County. Data shown for Montgomery County and Grimes County.

[2] Adjusted to remove the potential 533 forecasted in the Decertified Area

[3] Docket No. 51979, Dobbin Plantersville WSC's Third Supplemental Response to Sig Magnolia's Requests For Information, dated September 20, 2021.

[4] Docket No. 51979, Dobbin Plantersville Water Supply Corporation's Motion For Rehearing, dated February 25, 2022

[5] Based on interest rate on outstanding USDA notes.

[6] Texas Commission on Environmental Quality, Chapter 285 - On-Site Sewage Facilities

[7] High Meadow Estates: Overall Map,

<https://highmeadowtx.com/high-meadows-estates/#map>, Accessed March 15, 2022.

**Table 2**  
**Existing Debt Service**  
**Allocation of Debt Service Fixed Costs per Connection**

**Summary of Debt Service Requirement on Notes Outstanding [1]**

Fiscal Year	Principal	Interest	Total
2021	\$ 114,810	\$ 80,209	\$ 195,019
2022	119,978	75,042	195,020
2023	125,317	69,703	195,020
2024	116,029	64,098	180,127
2025	95,579	60,109	155,688
2026	106,905	48,782	155,687
2027	106,905	48,782	155,687
2028	106,905	48,782	155,687
2029	106,905	48,782	155,687
2030	106,905	48,782	155,687
2031	128,715	26,973	155,687
2032	128,715	26,973	155,687
2033	128,715	26,973	155,687
2034	128,715	26,973	155,687
2035	128,715	26,973	155,687
2036	66,529	6,220	72,749
2037	66,529	6,220	72,749
2038	66,529	6,220	72,749
2039	66,529	6,220	72,749
2040	66,529	6,220	72,749
<b>Total</b>	<b>\$ 2,082,453</b>	<b>\$ 759,039</b>	<b>\$ 2,841,492</b>

Fiscal year	Fixed Cost per Connection						Total System End of Year Connection Count	Fixed Cost per Connection
	Total System Beginning of Year Connections	High Meadow Estates (Well #9)	Decertified Area	Grimes County Organic Growth	Montgomery County Organic Growth			
2021	2,049	255	53	11	39	2,407	\$ 81.02	
2022	2,407	0	53	12	40	2,512	\$ 77.64	
2023	2,512	0	19	12	41	2,584	\$ 75.47	
2024	2,584	0	0	12	42	2,638	\$ 68.28	
2025	2,638	0	0	12	43	2,693	\$ 57.81	
2026	2,693	0	0	12	44	2,749	\$ 56.63	
2027	2,749	0	0	12	46	2,807	\$ 55.46	
2028	2,807	0	0	13	47	2,867	\$ 54.30	
2029	2,867	0	0	13	48	2,928	\$ 53.17	
2030	2,928	0	0	13	49	2,990	\$ 52.07	
2031	2,990	0	0	13	50	3,053	\$ 50.99	
2032	3,053	0	0	13	52	3,118	\$ 49.93	
2033	3,118	0	0	14	53	3,185	\$ 48.88	
2034	3,185	0	0	14	54	3,253	\$ 47.86	
2035	3,253	0	0	14	56	3,323	\$ 46.85	
2036	3,323	0	0	14	57	3,394	\$ 21.43	
2037	3,394	0	0	14	59	3,467	\$ 20.98	
2038	3,467	0	0	15	60	3,542	\$ 20.54	
2039	3,542	0	0	15	62	3,619	\$ 20.10	
2040	3,619	0	0	15	63	3,697	\$ 19.68	

**Footnotes:**

[1] DPWSC's Annual Financial Statements, For the Year Ended December 31, 2020

**Table 3**  
**Allocation of Debt Service to Decertified Area**  
**Connection Count Approach**

Connection Count	Montgomery County System																		
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
System nearby Decertified Area - Potential Connections	1,536	1,628	1,721	1,815	1,910	2,006	2,103	2,202	2,302	2,403	2,474	2,522	2,571	2,620	2,669	2,718	2,767	2,816	2,865
Normalized Montgomery County Growth Rate [1]	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%
New Connections on Remaining System	39	40	41	42	43	44	46	47	48	48	48	49	49	49	49	49	49	49	49
New Connections from Decertified Area	53	53	53	53	53	53	53	53	53	23	-	-	-	-	-	-	-	-	-
Facility Nearby Decertified Area - EOY Potential Connections	1,628	1,721	1,815	1,910	2,006	2,103	2,202	2,302	2,403	2,474	2,522	2,571	2,620	2,669	2,718	2,767	2,816	2,865	2,914
<b>Facility Nearby Decertified Area - Maximum Connections</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>	<b>1,781</b>
<b>Payment Allocable from Decertified Area</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>	<b>2034</b>	<b>2035</b>	<b>2036</b>	<b>2037</b>	<b>2038</b>	<b>2039</b>	<b>2040</b>
Total Annual Allocable Connections in Decertified Area [2]	53	106	125	83	40	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Payment Allocable to Decertified Area Connections	\$ 4,294	\$ 8,229	\$ 9,434	\$ 5,667	\$ 2,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Payment from Decertified Area [3]	\$ 4,294	\$ 8,229	\$ 9,434	\$ 5,667	\$ 2,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total payment	\$ 29,937																		
2022 NPV of Total Payment Amount [4]	27,714																		

Footnotes:

[1] See Table 1

[2] Annual Connections in Decertified Area allocable to debt service payments are calculated by the Decertified Area additional connections while taking into account the Facilities Nearby Decertified Area Maximum Capacity and the organic growth on the Facilities Nearby Decertified Area.

[3] Allocation to Decertified Area decreases as new connections grow on Remaining Montgomery County System

[4] Discount rate assumed to be equal to cost of debt from Table 1

NewGen  
Strategies & Solutions



**THANK YOU!**



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