



Control Number: 52002



Item Number: 5

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

June 7, 2021

Public Utility Commission
Central Records
1701 N. Congress P.O. Box 13326
Austin, Texas 78711-3326

Re: Docket No. 52002: Application of CPR Water Supply Company, LLC. (CPR) for a Water Certificate of Convenience and Necessity (CCN) in Smith County

Enclosed please find the following information which will cure the deficiencies in the Applicant's application as requested in Order No. 2:

1. Attached is a letter from the utility's engineer responding to the TCEQ's November 6, 2020 letter providing the additional information regarding this project requested by the TECQ to complete their review.
2. Attached is a letter from Cole, Prewitt and Rudisill, LLV. requesting water service from CPR and describing its need for service.
3. A rate study supports the utility's rate structure in its proposed water tariff.
4. Either CPR nor its affiliate have been in operation for two years. Thus, no historical financial statements are available for the most recent two years.

Should you have any further questions concerning this application, please do not hesitate to contact me at (512) 917-7541.

Sincerely,



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

Enclosure

5

J.F. FONTAINE & ASSOCIATES, INC.

Consulting Engineers
700 N. Sycamore - Ph. AC/903 - 729-6005
Fax AC/903 - 729-7310
P.O. Box 4187
Palestine, Texas 75802

May 25, 2021

Ms. Vera Poe, P.E., Team Leader
Plan Review Team, MC 159
Plan and Technical Review Section
Water Supply Division
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

Re: CPR Water System - Public Water System ID No. *Not Yet Assigned*
Proposed Groundwater Public Water System
Engineer Contact Telephone: (903) 729-6005
Smith County, Texas

Dear Ms Poe:

Please review the attached information in this letter for the approval of the CPR Public Water System.

Enclosed are the construction information for the above referenced projects for the new CPR Public Water System.

The improvements will include a test well to a deep well to a depth of 1,000 feet, pumping test, chemical analysis, completed well to a depth of 1,000 feet, 900 feet of 10 5/8" casing and 100 feet of 6" screen, to produce 250 GPM.

Enclosed are construction plans, specifications and contract documents, the previously submitted TCEQ Public Water System Plan Review Submittal Form, a copy of the 1/4 mile survey, a copy of the General Warranty Deed with survey, a copy of the metes and bounds description, a property map with well location and sanitary control easement, location map and a U.S. coast map showing the location of the well.

Enclosed are construction plans, specifications and contract documents for the Plant No. 1 to include 100,000 gallon ground storage tank, 10,000 gallon pressure tank, 2-500 GPM + 1-1,000 GPM @ 185' TDH booster pumps with VFD, 20' X 25' pump building, electrical, valves, fittings, controls, chlorination facilities, driveway, fencing, culvert and well head.

CPR PWS is being formed for mixed development including commercial development and recreational vehicle park. Land use will be developed as the applicant provides water service to the requested area. The proposed water system has a designed well capacity for up to 416 connections. The booster pumps, pressure tank and storage tank are designed for up to 500 connections. The proposed 151 acre development (CCN area) will be mixed development.

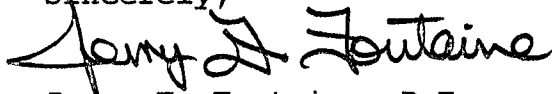
As per your letter of November 6, 2020, please accept the information submitted in this letter as the Engineer's Report along with the business/financial plan, the core data form and additional documents.

The CCN is currently being created through the PUC Docket No. 52002. Case B - service was requested and unfeasible and the applicant was released from existing CCN, Docket No. 50581. Docket No. 50581 approves the Release of the requested Area from Southern Utilities Company's water certificate of convenience and necessity.

Also attached for your review is a copy of the Certificate of Account Status, Request & Responses for Service (Docket No. 50581), Water Tariff and Financial Information.

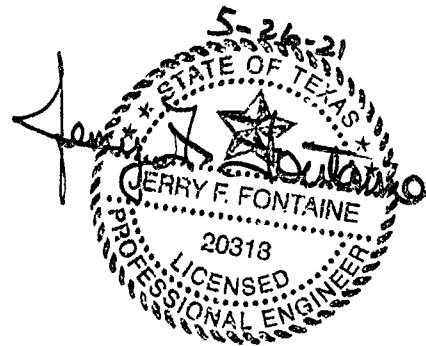
Let me know if you have any questions or need additional information. Thank you!

Sincerely,



Jerry F. Fontaine, P.E.
JFF/ela

CC: CPR Development



TBPE FIRM REGISTRATION # 3223

Cole, Prewitt, and Rudisill, LLC

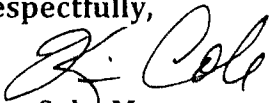
June 4th, 2021

CPR Water Supply Company,

Cole Prewitt and Rudisill, LLC would like to request water supply from CPR Water Supply Company. We need water for the following businesses.

1. Convenience Store
2. Whataburger
3. Car Wash
4. RV Park.
5. Storage buildings

Respectfully,



Kim Cole, Manager

Cole Prewitt, and Rudisill, LLC

B & D ENVIRONMENTAL, INC.

200 HARBOR CIRCLE.
GEORGETOWN, TEXAS 78633

PHONE NO: (512) 917-7541

FAX NO: (512) 692-1967

EMAIL: bretfenner@yahoo.com

June 7, 2021

Mr. Kim Cole
CPR Water Supply Company, LLC.
100 Avenue A
Palestine, Texas 75801

RE: Docket No. 52002: A Study to Determine a Water Rate Structure for the Application of CPR Water Supply Company, LLC. to Obtain a Water Certificate of Convenience and Necessity (CCN) in Smith County

Dear Mr. Cole:

B & D Environmental, Inc. was retained to perform a study to determine a water rate structure that will support the revenue requirement for the water utility system of the requested service area of CPR Water Supply Company, LLC. (Utility). This rate study was conducted using mainly financial and operational cost data provided from the utility. This utility is applying for a new water CCN and does not have a previous operational cost history. Some operational cost is based on the operational cost from other utilities owned by the utility's proposed certified operator. But a number of assumptions were still required to determine a revenue requirement necessary to support the cost of water service for this system. In the future this utility should consider filing a Rate/Tariff Change Application based on a more detailed analysis of the utilities cost of service for its water service once provided service to its customer base.

Based on available information, a current revenue requirement was determined for providing water service to the utility's customer. The calculation of the current revenue requirements for water can be found in **Attachment 1** of this study. Customer rates for water service that will generate the revenue required to provide service were then calculated. These calculations are also included in Attachment 1. These rates are compared to the rates proposed to be charge to customers by the utility in Table 1.

Table 1: Comparison of Proposed Rates to Revenue Requirement Rates

Service	Gallage Charge	Monthly Base Rate	Revenue Requirement Rates
Water	\$ 3.50 per 1,000 gallons first 6,000 gallons	\$45.00	\$58.14
	\$ 4.40 per 1,000 gallons thereafter		

Rate designed with zero gallons included in the base rate

In conclusion, CPR Water Supply Company, LLC.'s current rate structure for water service will under recover the funds necessary to meet the utility's current revenue requirements for water service. The utility will be required to submit a Rate/Tariff Chang Application within 18 months of approval of its CCN application. Based on this study, the utility will need to adjust its current rate structure to allow it to recover the revenues necessary to cover its cost of service. Therefore, the current rate structures and proposed tariff of CPR Water Supply Company, LLC. are supported and should be approved for the utility as a part of this water CCN application.

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

CPR Water Supply Company, LLC

Water Rate Design Study

Projections

Meter Equivalents:

<u>Meter Size</u>	<u>Total Meters</u>	<u>Equivalent Factor</u>	<u>Meter Equivalents</u>
5/8" - 3/4"	150	1	150
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:	150		150

2020 Actual Total Gallons Sold: 12,600,000

Actual 2020 Water Revenues:

Water Cost of Service:

General Expenses	\$	1,500	
Operational Expenses	\$	58,350	
Interest Expenses	\$	1,515	
Subtotal:			\$ 61,365
Working Capital	\$	7,671	
Taxes	\$	11,200	
Annual Depreciation	\$	15,300	
Return On Investment	\$	54,851	
Subtotal:			\$ 89,021

Total Water Revenue Requirement: \$ **150,386**

Water Rate Structure:

Gallonge Rate: (\$3.50 per 1,000 gallons first 6,000 gallons - \$4.40 per 1,000 gallons thereafter)

Gallonge Units (first 6,000 gallons) 10,800,000 Gals. ÷ 1000 = 10,800 x \$3.50 = \$37,800

Gallonge Units (Next 1,000 gallons) 1,800,000 Gals. ÷ 1000 = 1,800 x \$4.40 = \$7,920

Variable Cost Total Calculation: \$37,800 + \$7,920 = \$45,720

Monthly Base Rate:

Fixed Cost Calculation: \$150,386 - \$45,720 = \$104,666

Base Rate Calculation: \$104,666 ÷ 150 meter equivalents ÷ 12 months = \$58.14

<u>Meter Size</u>	<u>Equivalent Factor</u>	<u>Base Rate/Meter Size</u>
5/8" - 3/4"	1	\$ 58.14

CPR Water Supply Company, LLC

Water Depreciation Schedule						
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
Water Equipment	31-Dec-20	\$615,000	50	\$12,300	\$0	\$615,000
Distribution System	31-Dec-20	\$150,000	50	\$3,000	\$0	\$150,000
Utility Plant Totals:		\$765,000		\$15,300	\$0	\$765,000

Notes:

Note 1. Cost of water utility system from engineering estimates

Note 2. Gallonage based on estimated 7,000 gallons monthly usage per customer

Note 3. Return on Invested capital - BAA Bond Rating (November , 2020) 3 17% plus 4% = 7 17%

Note 4. Income Tax [Retrun (\$54,851) less Interest Expense (\$1,515)] x 21% Corp. tax rate = \$11,200

Note 5 No property tax expense was included as water plant is located on leased property