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DOCKET NO. 52653

**PETITION OF ELAND ENERGY, INC. § PUBLIC UTILITY COMMISSION
TO AMEND MARILEE SPECIAL §
UTILITY DISTRICT'S CERTIFICATE § OF TEXAS
OF CONVENIENCE AND NECESSITY §
IN COLLIN COUNTY BY EXPEDITED §
RELEASE §**

**COMMISSION STAFF'S SUBMISSION OF APPRAISAL REPORT AND NOTICE OF
CHANGE OF COUNSEL**

The Staff (Staff) of the Public Utility Commission of Texas (Commission) respectfully submits the attached appraisal report of the Commission-appointed appraiser, pursuant to Texas Water Code § 13.2541(i) and 16 Texas Administrative Code (TAC) § 25.245(i)(2)(B). Order No. 4 in this proceeding provided that this appraisal report was due to be filed within 100 days after the Commission approved the streamlined expedited release. The Commission approved the streamlined expedited release on May 26, 2022. Therefore, this pleading is timely filed.¹ Additionally, Scott Miles has replaced Kourtnee Jinx as Staff's attorney of record in this proceeding. Please direct all correspondence and communication to the undersigned attorney.

¹ 100 days after May 26, 2022 is September 3, 2022, which is a Saturday. Therefore, the deadline moves to the next day the Commission is open for business, in accordance with to 16 TAC § 22.4(a).

Dated: September 6, 2022

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Keith Rogas
Division Director

Sneha Patel
Managing Attorney

/s/ Scott Miles
Scott Miles
State Bar No. 24098103
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7228
(512) 936-7268 (facsimile)
Scott.Miles@puc.texas.gov

DOCKET NO. 52653

CERTIFICATE OF SERVICE

I certify that unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on December 14, 2021 in accordance with the Second Order Suspending Rules, issued in Project No. 50664.

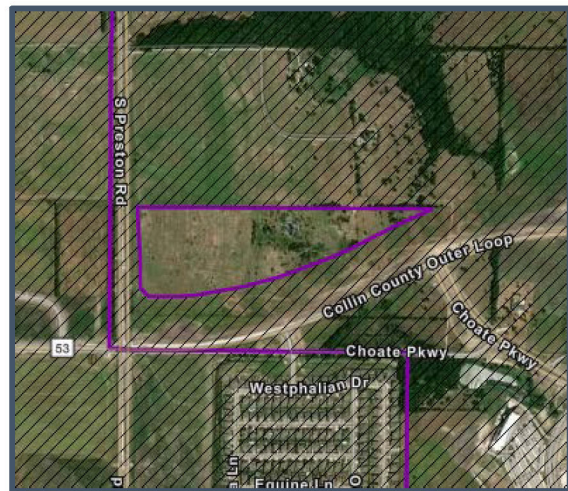
/s/ Scott Miles
Scott Miles



TEXAS VALUES
APPRAISAL SERVICES

Just Compensation Appraisal Report

Date of Report: August 31, 2022



Decertified Property:

33.23 acres owned by Eland Energy, Inc.
Formerly within the Marilee SUD, CCN 10150
Collin County, Texas

PUC Docket Number: 52653

Texas Values Report Number: TX-22-046

Prepared For:

Public Utility Commission of Texas
Ms. Kourtnee Jinks
Senior Attorney, Legal Department



August 31, 2022

Ms. Kourtnee Jinks
Senior Attorney, Legal Department
Kourtnee.jinks@puc.texas.gov
Public Utility Commission of Texas (PUC)
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

RE: Appraisal Report
Just and Adequate Compensation for the decertification of 33.23 acres
Owned by Eland Energy, Inc. formerly within the Marilee SUD, holder of CCN Number 10150

Dear Ms. Jinks:

In accordance with your request, Texas Values has prepared an opinion of just and adequate compensation owed to Marilee SUD (CCN holder 10150) for the decertification of the 33.23-acre vacant tract of land owned by Eland Energy, Inc.

It is my understanding that each party has previously engaged an independent appraiser and the PUC has appointed our firm as the 3rd independent appraiser for this compensation determination process.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, Texas Water Code §13.254 and §13.2541, and Texas Administrative Code 30 Tex. Admin. Code §24.245.

This report identifies the “problem” to be solved and summarizes the scope of work to solve the problem given the assignment conditions and the intended use. Our concluded opinion of compensation is stated at the end of this report.



Identification of the “Problem” to be Solved

On September 28, 2021, Eland Energy, Inc. filed a petition for streamlined expedited release of property in Collin County from the service area under water certificate of convenience and necessity (CCN) number 10150. Marilee Special Utility District was identified as the holder of CCN number 10150. Eland Energy, Inc., the landowner, requested that a 33.23-acre tract that they own be released from Marilee SUD’s CCN. On May 26, 2022, the Commission issued an Order releasing the tract of land identified in the petition from the Marilee's service area.

On August 4, 2022, the petitioner and landowner, Eland Energy, filed an appraisal report that estimates compensation for this decertification. The just compensation appraisal report was completed by Dan V. Jackson with *Willdan Financial Services*.

On August 4, 2023, Marilee SUD, the former CCN holder, filed an appraisal report that estimates compensation for this decertification. The just compensation appraisal report completed by *NewGen Strategies & Solutions*.

The PUC of Texas has appointed our firm as the 3rd independent appraiser for this compensation determination process. According to the rules, our compensation estimate must be between the two estimates provided in the prior reports.

The following section states relevant characteristics of the assignment, assignment conditions, scope of work, the factors for compensation, and the rational and analysis used in estimating just and adequate compensation owned to the former CCN holder.

Client(s): Public Utility Commission of Texas

Intended User(s): Intended users include:
1) Eland Energy, Inc. the owner of the land being decertified and their professional representatives.
2) Marilee SUD, the former CCN holder of the decertified land and their professional representatives.

Intended Use: To help determine adequate and just compensation for decertification of a 33.23-acre vacant tract land formerly within Marilee Special Utility District service area CCN 10150.

Property Rights: Fee Simple, with easements and encumbrances of record including all easement rights, real estate, fixtures, fixtures (trade or non), permits.



Type of Value: Market Value of the real estate, if any, according to standards set forth in Chapter 21 of the Texas Property Code governing actions in eminent domain.

However, no real estate is involved in this assignment.

Value of “personal property” according to factors in 30 Tex. Admin. Code §24.245(j). These factors are further discussed later in the report.

Effective Date of the Appraisal: May 26th 2022 (This is the date of the Order by the PUC in Docket Number 52653).

Assignment Conditions: Assignment conditions include assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work. Laws include constitutions, legislative and court-made law, administrative rules, and ordinances. Regulations include rules or orders, having legal force, issued by an administrative agency.

The Assignment Conditions specific to this assignment are:

Extraordinary Assumption(s):

None

Hypothetical Condition(s):

None

Jurisdictional Exception(s):

The “value” of the “personal property” is based upon certain factors specified in 30 Tex. Admin. Code §24.245(j). This is a jurisdictional exception that will be followed in this assignment.

Scope of Work: The appraiser was appointed by the PUC of Texas to be the 3rd independent appraiser for this compensation determination process. The PUC and appraiser discussed the assignment to help “define the problem” of the assignment.

The appraiser has completed the necessary requirements to become competent to complete this assignment.

Documents reviewed for the preparation of this valuation include:

- Filings with the Public Utility Commission of Texas in Docket No. 52653.
- Section 13.254 and 13.2541 of the Texas Water Code
- 16 Texas Administrative Code §24.245
- Appraisal report for just compensation presented by Marilee SUD completed by NewGen Statagies & Solutions, LLC dated August 3, 2022.
- Appraisal report for just compensation presented by Eland Energy, Inc. completed by Willdan dated August 1, 2022.
- Filings of various other dockets in the PUC that involved a streamlined expedited release of land.

Factors for Compensation:

- 1. 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 & Conclusion:

No real property is being transferred or acquired in this decertification and thus no real estate is valued in this assignment. Therefore, the compensation for this factor is \$0.

- 2. The amount of the retail public utility's debt allocable for service to the removed area.**

Analysis & Conclusion:

According to Financial Statements for the years ended December 31, 2020, and 2019, the long-term debt that Marilee SUD carried at the end of 2021 was estimated to be \$1,257,800 in noncurrent notes payable. Of this amount, about \$437,800 is from a contract agreement between Marilee SUD and the Greater Texoma Utility Authority (GTUA) for water supply services in relation to a Lake Texoma water storage project. GTUA issued bonds to pay for the project and Marilee has agreed to make payments to GTUA in amounts sufficient to fund 4 percent of the total project. Marilee was originally obligated for \$849,200 and is making annual payments until August 2030.

On January 28, 2013, Marilee issued Revenue Notes, Series 2013. Proceeds from the notes were used to complete several upgrades and additions to the distribution systems. The Series 2013 notes mature serially through 2026. Interest rates are 2.520%.

Marilee did not provide information detailing the debt allocation to specific projects or the timing of the debt procurement vs. the capital expenditures of facilities and infrastructure near the decertified area. Furthermore, there are no facilities or infrastructure that directly services the decertified area. Existing water lines are approximately 720 linear feet to the north and 1,500 linear feet to the east of the decertified area. Please reference a map showing the location of the closest water lines.

Since the decertified area is not directly served at this time, the appraiser for Texas Values concludes the amount of the retail public utility's debt allocable for service is to the removed area is not credibly measurable and thus concludes \$0 in compensation.

3. The value of the service facilities of the retail public utility located within the removed area.

Analysis & Conclusion:

There are no service facilities of the retail public utility located within the removed. Therefore, the value for this factor is \$0.

4. The amount of any expenditures for planning, design, or construction of the service facilities that are allocable to service to the removed area.

Analysis & Conclusion:

Currently, there are no service facilities that directly service the removed area. The expenditures that indirectly service nearby properties is not credibly determinable. As such, the compensation for this factor is \$0.

5. The amount of contractual obligations allocable to the removed area.

Analysis & Conclusion:

The removed area is not currently receiving service and thus there should be no contractual obligations. The compensation for this factor is \$0.

6. Any demonstrated impairment of service or any increase of cost to consumers remaining after the decertification.



Analysis & Conclusion:

There is no demonstrated impairment of service or increase of cost to consumers due to the decertification. The compensation for this factor is \$0.

7. The impact on future revenues lost from existing customers.

Analysis & Conclusion:

There should be no impact on future revenues lost from existing customers since the decertified area has no current service. The compensation for this factor is \$0.

8. Necessary and reasonable legal expenses and professional fees.

Analysis & Conclusion:

According to the appraisal report provided by Marilee SUD, completed by NewGen Strategies and Solutions, the necessary and reasonable legal expenses and professional fees as of August 3, 2022 were \$7,760. The compensation for this factor is \$7,760.

9. Any other relevant factors.

Analysis & Conclusion:

Texas Values did not identify any other relevant factors requiring compensation. The compensation for this factor is \$0.

Reconciliation and Conclusion:

The total compensation is simply the addition of the compensation factors previously concluded. The total compensation is presented in the chart below.

CONCLUDED COMPENSATION

	
Just Compensation	\$7,760

Respectfully submitted,



Kyle R. Schroeder, MAI, ARA
State Certified General
Real Estate Appraiser
TX-1337543-G

General Assumptions and Limiting Conditions

This appraisal has been made with the following general assumptions:

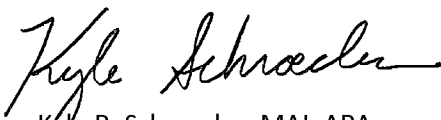
- No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good marketable unless otherwise stated.
- The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
- Responsible ownership and competent property management are assumed.
- Information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
- It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated in the appraisal report.
- It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been described in the appraisal report.
- It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.
- It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicted on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.
- The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

Certification

Kyle R. Schroeder, MAI, ARA

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

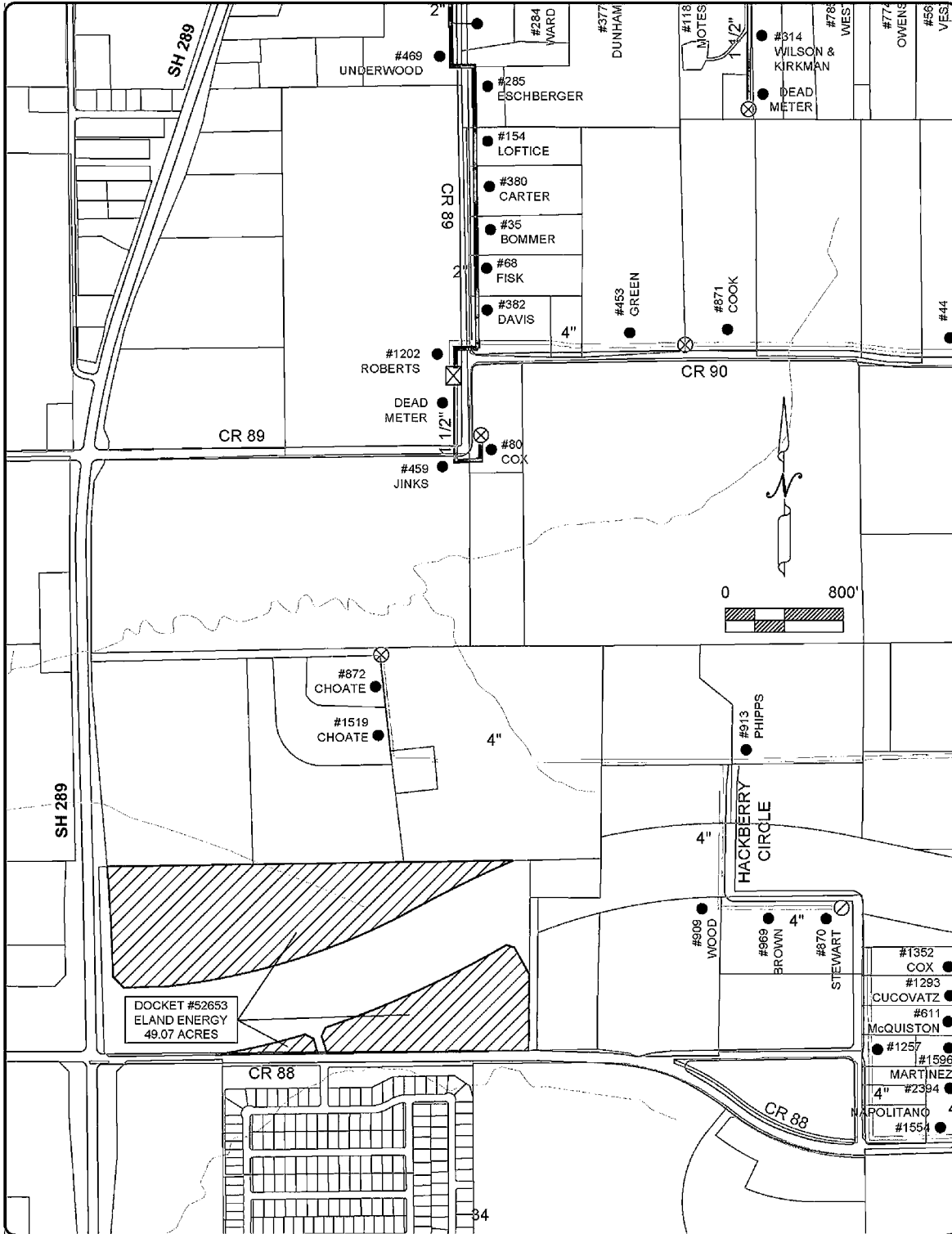
1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned Kyle R. Schroeder MAI, ARA, has not performed any valuation services (nor any other services) related to the subject property in the three years prior to the acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. 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 value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Kyle R. Schroeder, MAI, ARA, did not make a personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the American Society of Farm Managers and Rural Appraisers relating to review by its duly authorized representatives.
13. As of the date of this report, I, Kyle R. Schroeder, MAI, ARA, has completed the continuing education program for Designated Members of the Appraisal Institute.



Kyle R. Schroeder, MAI, ARA
State Certified General
Real Estate Appraiser
TX-1337543-G

Addenda

LOCATION OF WATER LINES IN RELATION TO DECERTIFIED AREA



Qualifications of Kyle R. Schroeder, MAI, ARA

Owner-Chairman of Texas Values

www.texasvalues.com

500 6th Street, San Antonio, TX 78215

kyle@texasvalues.com

210.545.1533



Education

- *Master of Business Administration*, California Polytechnic State University, San Luis Obispo, California, June 2003. (Concentration in Finance/Accounting)
- *Bachelor of Science in Agricultural Systems Management*, Texas A&M University, College Station, Texas, May 2000

Specialized Education

Received credit for and successfully completed the following courses sponsored by the Appraisal Institute and the American Society of Farm Managers and Rural Appraisers:

- Valuation of Oil and Gas Rights
- National Uniform Standards of Professional Appraisal Practice
- Basic Appraisal Principles
- Basic Appraisal Procedures
- Basic Income Capitalization
- General Market Analysis and Highest & Best Use
- Advanced Income Capitalization
- Advanced Applications
- Advanced Sales and Cost Approaches
- Condemnation Appraising: Principals and Applications

Professional Designations and Certifications

- *MAI Designation of the Appraisal Institute* since November 2013; No. 460395
- *State Certified General Real Estate Appraiser*; State of Texas; Certification No. TX-1337543-G; 2007
- *Accredited Member, American Society of Farm Managers and Rural Appraisers (ASFMRA)*, ARA No. 1146793; 2017

Experience

Kyle R. Schroeder is the owner and President of Texas Values – Appraisal Services. Prior to starting his own appraisal firm, Mr. Schroeder was a Director at Valbridge Property Advisors I San Antonio, formerly known as Dugger, Canaday, Grafe, Inc. He is currently recognized as a State Certified General Real Estate Appraiser (License No. TX-1337543-G). Experience includes appraisal and consulting assignments for various clients such as attorneys, accountants, lending institutions, estates, and



government agencies. Typical intended uses include collateral evaluation for mortgage financing related to a purchase or refinance in a federally related transaction, federal estate and gift tax planning as required by the Internal Revenue Service (IRS) and fair or just compensation under both State and Federal Law related condemnation proceedings. Mr. Schroeder has testified as an expert witness in District Court and numerous commissioners' hearings. Prior work experience includes four years as an appraiser trainee at *Menn & Associates* in Seguin, Texas.

Real Estate Specializations

- Commercial properties including convenience stores, hotels, industrial properties, auto related properties, retail properties and office properties
- Commercial rental studies
- Estate planning and undivided interest valuations
- Ranches ranging from small properties to in excess of 100,000 acres
- Groundwater and riparian water rights
- Right-of-Way appraisal including pipelines, water lines, electric transmission lines, highway or street expansions and/or realignments.
- Working, recreational, and game managed ranches
- Rural property partitions
- Hunting and grazing lease studies
- Commercial acreage valuation in metropolitan areas; transition land
- Appraisals for government entities
- Irrigated and dry farmland
- Undivided interest valuation
- Producing and non-producing mineral valuations

Professional Affiliations

- Accredited Member, Appraisal Institute, No. 460395
- Member, South Texas Chapter of the Appraisal Institute
- Member, International Right-of-Way (IRWA), Chapter 39
- Membership Chair, International Right-of-Way (IRWA), Chapter 39
- Chapter 39 Secretary, International Right-of-Way (IRWA)
- Accredited Member, American Society of Farm Managers and Rural Appraisers (ASFMRA), ARA No. 1146793, 2017

KYLE RUDOLPH SCHROEDER
500 6TH STREET
SAN ANTONIO, TX 78215



Certified General Real Estate Appraiser

Appraiser: Kyle Rudolph Schroeder

License #: TX 1337543 G

License Expires: 11/30/2023

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:
Certified General Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at www.talcb.texas.gov.



Chelsea Buchholtz
Commissioner