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DOCKET NO. 52655

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|---------------------------------------|----------|----------------------------------|
| PETITION OF MCCART ST, LLC. TO | § | PUBLIC UTILITY COMMISSION |
| AMEND BOLIVAR WATER SUPPLY | § | |
| CORPORATION'S CERTIFICATE OF | § | OF TEXAS |
| CONVENIENCE AND NECESSITY IN | § | |
| DENTON COUNTY BY EXPEDITED | § | |
| RELEASE | § | |

COMMISSION STAFF'S SUBMISSION OF THIRD-PARTY APPRAISAL REPORT

Commission Staff respectfully submits the third-party appraisal report in this matter attached to this filing.

Dated: July 13, 2022

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Keith Rogas
Division Director

Marisa Lopez Wagley
Managing Attorney

/s/ Andy Aus
Andy Aus
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DOCKET NO. 52655

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 July 13, 2022, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Andy Aus
Andy Aus

NewGen Strategies & Solutions

www.newgenstrategies.net



DOCKET NO. 52655

COMPENSATION FOR DECERTIFICATION OF A PORTION OF BOLIVAR WATER SUPPLY COPORATION CERTIFICATE OF CONVENIENCE AND NECESSITY

JULY 13, 2022



Prepared for:
Public Utility Commission of Texas
1701 North Congress Avenue
Austin, Texas 78711-3326

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49 Music Square West
Suite 505
Nashville, TN 37203
Phone: (615) 645-4846

July 13, 2022

Mr. Andy Aus
Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

Re: Decertification Compensation - Docket No. 52655 - Report

Dear Mr. Aus:

NewGen Strategies & Solutions is pleased to provide the Public Utility Commission of Texas with a summary report for the third-party appraisal to determine appropriate compensation for the expedited decertification of a portion of Bolivar Water Supply Corporation's service area covered under water certificate of convenience and necessity number 11257.

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

Sincerely,

DocuSigned by:

1870379CE9854F5...
Zak Wright, ASA
Manager

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Section 1

PREMISE OF THE APPRAISAL

The Public Utility Commission of Texas (PUCT 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 Bolivar Water Supply Corporation's (Bolivar WSC or BWSC) service area covered under water certificate of convenience and necessity (CCN) number 11257. The particular area at issue in this analysis (Decertified Area) is composed of a contiguous tract of land of land in Denton 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 McCart St, LLC (McCart or Petitioner) in Docket No. 52655 at the Public Utility Commission of Texas (PUCT). NewGen was appointed by the PUCT to provide a third appraisal to make a determination of the compensation, as dictated by Texas Water Code §13.254(g-1). The third appraiser shall make a determination of compensation that may not be less than the lower appraisal or more than the higher appraisal.

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 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 July 13, 2022.

Date of Report

The date of this report is July 13, 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;



Section 1

- The amount of any expenditures for planning, design, or construction of service facilities that are allocable to service to the area in question;
- 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

In the preparation of this report, NewGen 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 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 Assumptions¹
 - NewGen assumed that while the Decertified Area is not located within any of the pressure planes presented by BWSC, it could be served by the nearby production facilities located within Pressure Plane 5².
- NewGen assumed it reasonable to expect the buildout plan for the Decertified Area, as detailed in the July 29, 2020 Development Plan for Trails of Jordan Creek,³ remains accurate. NewGen understands that the development to be built within the Decertified Area is named Trails of Jordan Creek.
- NewGen reviewed the projected connection counts in the buildout plans for the Petitioner's tracts of land (Petitioner Tracts) described in the Development Plan. The petitioner tracts are within the geographic boundaries of the Decertified Area. The Trails of Jordan Creek development projects approximately 943 connections within the Decertified Area at full buildout.
- NewGen assumes that the estimated connection count and a five-year timeline for the complete buildout of the Decertified Area beginning in year 2023 is reasonable. This assumption results in approximately 189 connections in years two through five of the study, and an additional 187 connections in the sixth year. While the full buildout under the plans detailed in the assumption above projects additional connections in the Decertified Area, NewGen understands that the Certificate Holder's nearby existing facilities can accommodate 323 additional connections.⁴ This is detailed further in the assumptions below and subsequent analysis of the compensation factors.

¹ 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).

² Pressure Plane Map provided in Docket 52655, Bolivar Water Supply Corporation's Appraisal Report, Dated June 13, 2022

³ Trails of Jordan Creek – Development Plan, Dated July 29, 2020

⁴ Unused capacity information calculated using TCEQ: State of Texas Well Reports for wells within Pressure Plane 5. Maximum additional connections determined according to 30 TAC §290.45 (b)(1)(D)

Section 2

- NewGen reviewed the capacity of the wells located within Pressure Plane 5 as documented in the State of Texas Well Reports.⁵ These facilities have the capacity to serve a maximum of 892⁶ connections and currently serve 569 connections.⁷
- NewGen's analysis of just and adequate compensation is limited to the level of development that Bolivar WSC's existing facilities are able to serve based on our review of publicly available data and filings under Docket No. 52655.
- The scope of work was dictated by Texas Water Code §13.2541 and Texas Water Code §13.254(g) and §13.254(g-1) 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.
- Certain data and assumptions have been provided by third parties, including, but not limited to, historical costs, active connection counts, and plant capacities. NewGen reserves the right to adjust the results in this report as may be required by changes to these third-party assumptions.
- NewGen assumes the growth projections for Bolivar WSC's area, published in the Texas Water Development Board's 2021 Regional Water Plan, are a reasonable basis to escalate annual connection counts on the nearby facilities available to serve the Decertified Area.
- NewGen's recommendation of compensation for decertification is irrespective of any compensation that may have been paid to Bolivar WSC for prior decertification of portions of service area within the CCN. NewGen is not aware of any compensation being paid under other decertification dockets that might share production plant with the Decertified Area in Docket No. 52655. NewGen notes further that there is no certainty that any compensation will be awarded in any pending docket to decertify a portion of Bolivar WSC's service area.⁸

⁵ TCEQ: Texas Drinking Water Watch - SDWIS

⁶ Maximum additional connections determined according to 30 TAC §290.45 (b)(1)(D)

⁷ Planning Report provided in Docket 52655, Bolivar Water Supply Corporation's Appraisal Report, Dated June 13, 2022

⁸ To the extent compensation is paid on other pending dockets our opinion of just compensation could be subject to change.

Assumptions, Considerations and Limiting Conditions

- Individuals affiliated with NewGen and contributing to this report are Mr. Zak Wright, ASA, Manager and Mr. Nick Coomer, Consultant.

Section 3 ANALYSES

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. As such, the compensation factors focus on mitigating stranded fixed costs, rather than potential lost net income. 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 within Bolivar WSC's CCN. The PUCT has determined the Decertified Area is not currently receiving water service.⁹ However, Bolivar WSC contends it is capable of serving the water needs of the Decertified Area.¹⁰

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. 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: Bolivar WSC 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 Bolivar WSC did not provide information to detail the specific projects and improvements that were funded through existing debt service. Two years of Bolivar WSC's annual financial statements were included in the filings on Docket No. 52655.¹¹ The annual statements summarize the annual debt service payments on all outstanding debt. This payment schedule is included in the attached Schedule 1.

⁹ Docket No. 52655, Order, Dated April 4, 2022

¹⁰ Docket No. 52655, Response of Bolivar Water Supply Corporation, Dated November 4, 2021

¹¹ Docket No. 52655, Bolivar Water Supply Corporation's Response to Petitioner's First Requests for Information, Dated May 3, 2022

Section 3

If the decertification had not occurred, Bolivar WSC would 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 existing capacity to serve the Decertified Area. NewGen relied on information from TCEQ for the nearby existing facilities available to serve the Decertified Area. NewGen estimated that the existing supply facilities could support 323 additional connections⁴. It is NewGen's opinion that any potential compensation for debt service can only be expected to be spread across the maximum number of customers that the water system near the Decertified Area is capable of supporting.

Assumed Connections in the Decertified Area

NewGen assumed that the active water connection count of 3,671¹² was an accurate representation of the total active connections on the existing Bolivar WSC system. Additionally, NewGen assumed the existing water connection count of approximately 569, provided by Bolivar WSC's planning report,¹⁰ is an accurate representation of the current connections on the existing facilities within Pressure Plane 5 available to serve the Decertified Area.

According to the 2021 Regional Water Plan,¹³ the population in Bolivar WSC's service area is projected to grow at approximately 1.82%, annually, from 2020 to 2030. NewGen assumed the buildout period discussed in Section 2 of this Report is reasonable for the Decertified Area. This implies that the Decertified Utility's remaining growth will occur in the portions of the CCN that are not being decertified (the Remaining System).

Compensation

Schedule 1, Tables 3 and 4, show the forecasted growth in retail connections for the Remaining System. Since the Decertified Area is projected to reach buildout of 943 connections, as discussed above, through steady growth over a five-year period beginning at the start of 2023, NewGen assumes there will be approximately 189 new connections in the Decertified Area by the end of forecast year two. By the end of forecast year three and future years, NewGen assumes there will be at least 323 new connections in the Decertified Area. The allocation to the Decertified Area is based on the new connections in the Decertified Area less organic growth on the Remaining System on an annual basis. The maximum allocation of debt service to the Decertified Area in any year of the study is limited by the number of connections that the existing facilities can support. This allocation of debt service ceases when the two outstanding debt issuances are fully repaid in 2028 and 2033.

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 are projected to be built out in the Decertified Area, less the projected annual new connections in the Facilities Nearby 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 Facilities Nearby Decertified Area at the end of the prior year. Once the outstanding debt issuances are repaid, the payment stream allocated to the Decertified Area ceases. Finally, the debt service allocated to the Decertified Area by year is discounted to represent the current value based on a 2.79% discount rate¹⁴. This discount rate was selected to represent the approximate cost of debt for Bolivar WSC, based on the financial statements made available.

¹² Docket No. 52655, Bolivar Water Supply Corporation's Appraisal Report, Dated June 13, 2022

¹³ 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

¹⁴ Bolivar WSC, Audited Financial Statements, For the Years Ended December 31, 2021 and 2020

Bolivar WSC 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. Bolivar WSC'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 **\$70,922**.

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

Analysis: Bolivar WSC's does not have service facilities located within the Decertified Area.⁷ Additionally, NewGen has not 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 52655 that are allocable to the Decertified Area. Professional 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 Bolivar WSC's existing system is located in the North Texas Groundwater Conservation District, Bolivar WSC is not currently paying for any water allocable to the area in question. 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 Bolivar WSC customers were addressed in compensation Factors 2 and 8.

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

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

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

Analysis: Bolivar WSC 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 provided, legal expenses were approximately \$5,777 and professional fees from KORGROUP related to the BWSC's appraisal report were approximately \$8,000. The total compensation for this factor is **\$13,777**.

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

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

Section 3

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 | \$ 70,922 |
| Legal Expenses and Professional Fees * | \$ 13,777 |
| | \$ 84,699 |

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

Section 4


CERTIFICATION

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.
- 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
July 13, 2022





SCHEDULE 1: ALLOCATION OF DEBT SERVICE TO THE DECERTIFIED AREA

DOCKET NO. 52655

**COMPENSATION FOR
DECERTIFICATION OF A PORTION
OF BOLIVAR WATER SUPPLY
CORPORATION CERTIFICATE OF
CONVENIENCE AND NECESSITY**

Table 1
Assumptions
General Assumptions for Fixed Cost Allocation

All Counties

| | | |
|--|-------|--------|
| Bolivar Water Supply Corporation - Growth Projections [1] | 2020 | 2030 |
| Population Projections | 9,904 | 12,050 |
| Potential Annual Connection Growth | 1.82% | |

Current Connection Count [2]

| | |
|------------------------------------|-------|
| Facilities Nearby Decertified Area | 569 |
| Bolivar WSC Total System | 3,671 |

Additional Homes to be Built in Decertified Area [3]

943

Assumed Connections per Year

189

Maximum Additional Connections [4]

323

Maximum Connection Assumptions [5]

| | |
|------------------------------|---------------------|
| Well Capacity per Connection | 0.60 GPM/Connection |
|------------------------------|---------------------|

Cost of Debt [6]

2.79%

Footnotes:

[1] Data from 2021 Regional Plan - Population Projections for 2020-2070 for Water user Groups by Region and county. Data shown for Bolivar WSC total system.

[2] 569 active connections on facilities nearby the area of interest which is located near Pressure Plane 5. The previous count and total Bolivar WSC connection count is from Docket No. 52655, Bolivar Water Supply Corporation's Appraisal Report, Dated June 13, 2022.

[3] Based on Trails of Jordan Creek Development Plan

[4] See Table 3

[5] TCEQ Texas Administrative Code (TAC) §290.45(b)(1)(D)

[6] Based on review of existing debt.

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

| 5% Note Payable - USDA [1] | | |
|----------------------------|--------------|--------|
| Year | Debt Service | |
| 2022 | \$ | 65,666 |
| 2023 | \$ | 75,146 |
| 2024 | \$ | 18,990 |
| 2025 | \$ | 83,032 |
| 2026 | \$ | 87,280 |
| 2027 | \$ | 98,372 |
| 2028 | \$ | 98,372 |
| 2029 | \$ | 98,372 |
| 2030 | \$ | 98,372 |
| 2031 | \$ | 98,372 |
| 2032 | \$ | 98,372 |
| 2033 | \$ | 98,372 |

| GTUA - 2.79% [1] | | |
|------------------|--------------|--------|
| Year | Debt Service | |
| 2022 | \$ | 95,624 |
| 2023 | \$ | 97,142 |
| 2024 | \$ | 99,805 |
| 2025 | \$ | 98,579 |
| 2026 | \$ | 99,818 |
| 2027 | \$ | 63,951 |
| 2028 | \$ | 63,951 |

| Fixed Cost per Connection | | | | | | |
|---------------------------|-------------------|------------------|------------------|--------------------|----------------|-------|
| Fiscal year | Total System | Facility Nearby | Remaining System | Total System End | Fixed Cost per | |
| | Beginning of Year | Decertified Area | | of Year Connection | | |
| | Connection Count | Growth [2] | Organic Growth | Count | Connection | |
| 2022 | 3,671 | 10 | 57 | 3,738 | \$ | 43.15 |
| 2023 | 3,738 | 200 | 58 | 3,996 | \$ | 43.12 |
| 2024 | 3,996 | 113 | 59 | 4,168 | \$ | 28.50 |
| 2025 | 4,168 | | 60 | 4,228 | \$ | 42.96 |
| 2026 | 4,228 | | 61 | 4,289 | \$ | 43.63 |
| 2027 | 4,289 | | 62 | 4,351 | \$ | 37.31 |
| 2028 | 4,351 | | 63 | 4,414 | \$ | 36.78 |
| 2029 | 4,414 | | 64 | 4,478 | \$ | 21.97 |
| 2030 | 4,478 | | 65 | 4,543 | \$ | 21.66 |
| 2031 | 4,543 | | 67 | 4,610 | \$ | 21.34 |
| 2032 | 4,610 | | 72 | 4,682 | \$ | 21.01 |
| 2033 | 4,682 | | 75 | 4,757 | \$ | 20.68 |

Footnotes:
[1] Bolivar Water Supply Corporation Audit, Dated December 31, 2021
[2] Projected growth reflected on the facility nearby the decertified area until max connections is met.

Table 3
Connection Capacity
Additional Connections Possible to Serve Area of Interest

| | | |
|---------------------------------------|-----|-------------|
| Well #1, #2, #3 [1] | | |
| Well #1: #13761 | 300 | GPM |
| Well #2: #287734 | N/A | |
| Well #3: #129406 | 235 | GPM |
| Total Possible Connections [2] | | |
| Well #1, #3 | 892 | |
| Total Possible Connections | 892 | Connections |
| Estimated Unused Capacity | 323 | Connections |

| | |
|--|------------|
| Additional Connections Possible via Wells | 323 |
| Additional Connections Possible to Serve Area of Interest [3] | 323 |

Footnotes:

[1] GPM from State of Texas Well Reports. Wells located within Pressure Plane 5

[2] Table 1, Footnote 5

[3] Maximum possible additional connections existing source of supply can support

Table 4
Allocation of Debt Service to Decertified Area
Connection Count Approach

| Connection Count | Facilities Nearby Decertified Area | | | | | | | | | | | |
|--|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
| Nearby System Service Area - Potential Connections | 569 | 579 | 779 | 979 | 1,179 | 1,379 | 1,577 | 1,589 | 1,601 | 1,613 | 1,625 | 1,637 |
| Bolivar WSC Growth Rate [1] | 1.82% | 1.82% | 1.82% | 1.82% | 1.82% | 1.82% | 1.82% | 1.82% | 1.82% | 1.82% | 1.82% | 1.82% |
| New Connections on Remaining System [2] | 10 | 11 | 11 | 11 | 11 | 11 | 12 | 12 | 12 | 12 | 12 | 13 |
| New Connections from Decertified Area | - | 189 | 189 | 189 | 189 | 187 | - | - | - | - | - | - |
| Nearby System Service Area - EOY Potential Connections | 579 | 779 | 979 | 1,179 | 1,379 | 1,577 | 1,589 | 1,601 | 1,613 | 1,625 | 1,637 | 1,650 |
| Nearby System Service Area - Maximum Connections | 892 | 892 | 892 | 892 | 892 | 892 | 892 | 892 | 892 | 892 | 892 | 892 |
| | | | | | | | | | | | | |
| Decertified Area Annual Allocation of DS Payments [3] | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
| Total Annual Allocable Connections in Decertified Area [4] | - | 189 | 291 | 280 | 269 | 258 | 246 | 234 | 222 | 210 | 198 | 185 |
| Total Payment Allocable to Decertified Area Connections | \$ - | \$ 8,149 | \$ 8,285 | \$ 12,014 | \$ 11,721 | \$ 9,614 | \$ 9,035 | \$ 5,134 | \$ 4,800 | \$ 4,474 | \$ 4,153 | \$ 3,819 |
| Total Payment from Decertified Area | \$ - | \$ 8,149 | \$ 8,285 | \$ 12,014 | \$ 11,721 | \$ 9,614 | \$ 9,035 | \$ 5,134 | \$ 4,800 | \$ 4,474 | \$ 4,153 | \$ 3,819 |
| | | | | | | | | | | | | |
| Total payment | \$ 81,198 | | | | | | | | | | | |
| 2022 NPV of Total Payment Amount | \$ 70,922 | | | | | | | | | | | |

Footnotes:

[1] Data from 2021 Regional Plan - Population Projections for 2020-2070 for Water user Groups by Region and county. Data shown for Bolivar WSC total system.

[2] Organic growth on the Facilities Nearby Decertified Area.

[3] Decertified Area Annual Allocation of DS Payments offset by natural system growth and limited by Facilities Nearby Decertified Area maximum capacity.

[4] 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. See report for discussion of assumed buildout period.

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THANK YOU!



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