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DOCKET NO. 52739

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

MARILEE SPECIAL UTILITY DISTRICT'S SUBMISSION OF APPRAISAL REPORT

TO THE PUBLIC UTILITY COMMISSION:

Marilee Special Utility District (the "District") submits the attached appraiser's report substantiating that the District is due just and reasonable compensation, pursuant to Texas Water Code § 13.2541(f), in the amount of $39,449.00. Order No. 11 in this proceeding provides that this appraisal report is due to be filed within 70 days after the Commission approved the expedited release. The Commission approved the expedited release on October 20, 2022. Accordingly, this submission is timely filed.

Respectfully submitted,

By: ______________________

John J. Carlton
State Bar No. 03817600
The Carlton Law Firm P.L.L.C.
4301 Westbank Drive, Suite B-130
Austin, Texas 78746
(512) 614-0901
Fax (512) 900-2855
john@carltonlawaustin.com

ATTORNEY FOR MARILEE SPECIAL UTILITY DISTRICT

CERTIFICATE OF SERVICE

I hereby certify that I have served or will serve a true and correct copy of the foregoing document via hand delivery, facsimile, electronic mail, overnight mail, U.S. mail and/or Certified Mail Return Receipt Requested to all parties on this the 29th day of December 2022.

Sent Via Email to: nscott@coatsrose.com

Natalie B. Scott
Coats Rose
Terrace 2
2700 Via Fortuna, Suite 350
Austin, Texas 78746
ATTORNEY FOR PETITIONER

Sent Via Email to: scott.miles@puc.texas.gov

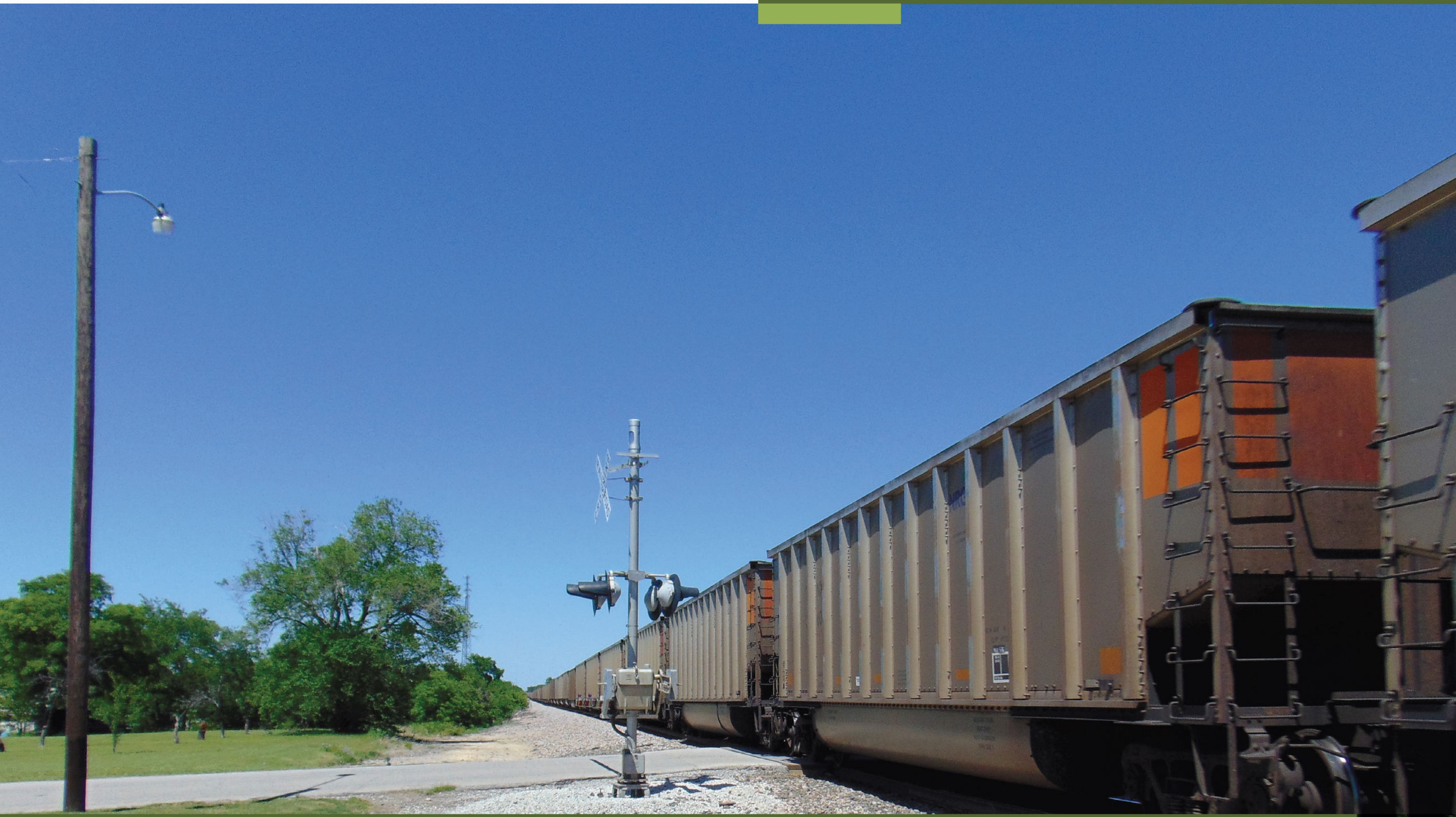
Scott Miles
Legal Division
Public Utility Commission
P. O. Box 13326
Austin, Texas 78711-3326
ATTORNEY FOR COMMISSION STAFF

John J. Carlton

NewGen Strategies & Solutions

www.newgenstrategies.net

REPORT



DOCKET #52739

COMPENSATION FOR DECERTIFICATION OF A PORTION OF MARILEE SPECIAL UTILITY DISTRICT'S CERTIFICATE OF CONVENIENCE AND NECESSITY

NOVEMBER 2022

Prepared for:
Mustang Special Utility District
P.O. Box 1017
Celina, Texas 75009-1017

NewGen Strategies & Solutions

275 W Campbell Road
Suite 440
Richardson, TX 75080
Phone: (972) 680-2000

December 12, 2022

Mr. Chris Boyd
General Manager
Mustang Special Utility District
P.O. Box 1017
Celina, Texas 75009-1017

Re: Decertification Compensation - Docket No. 52739 –Report

Dear Mr. Boyd:

We are pleased to provide Marilee Special Utility District with a summary report for the appraisal to determine appropriate compensation for the expedited decertification of a portion of Marilee Special Utility District's service area covered under water certificate of convenience and necessity number 10150.

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

Sincerely,

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

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

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Section 1
PREMISE OF THE APPRAISAL

Marilee Special Utility District (Marilee SUD or Marilee) retained NewGen Strategies and Solutions, LLC (NewGen) to perform an independent appraisal to determine appropriate compensation for the decertification of a portion of Marilee SUD's service area covered under water certificate of convenience and necessity (CCN) number 10150. The particular area at issue in this analysis (Decertified Area) is composed of a contiguous tract of land that is approximately 265.5 acres in Collin 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 Sater, L.P. (Sater) in Docket No. 52739 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 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, 2023).

Date of Valuation

The compensation was determined as of December 12, 2022.

Date of Report

The date of this report is December 12, 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;
- 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 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[1]
  - NewGen assumed it was reasonable to expect the Decertified Area to be built out with lot sizes that are consistent with a "rural standard" of development. 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 2.
- NewGen estimated the Decertified Area could support approximately 124 new connections. This was based on the approximately 265.5 acres in the Decertified Area, less 30% for undevelopable purposes (e.g., roadways, creeks, lakes, stormwater ditches, etc.), leaving approximately 186 net acres for development. NewGen's estimate of undevelopable land ranges from 20% to 30% based on our historical experience on comparable studies, and we assume that the higher end of the range is appropriate in this case due to the terrain in and around the Decertified Area. NewGen assumed the development would be composed of one single-family dwelling per net acre and a half for development based on the on-site sewage facility (e.g., septic tank) regulations in Collin County for subdivisions not served by a public water supply. This is consistent with a "rural standard" of development.[2]
- NewGen assumes the estimated connection count and a 5-year timeline for the complete buildout of the Decertified Area beginning in year 2023 is reasonable. This assumption results in approximately 25 additional annual connections in the decertified area from 2023 through 2026, with an additional 24 connections when the area reaches full buildout in 2027. NewGen understands that the Certificate Holder's nearby existing facilities can accommodate a maximum of 483 additional connections.[3] 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] The State of Texas County of Collin Court Order No. 2008-187-03-11 Section 10(b)

[3] Unused capacity information provided by professional engineer for Marilee SUD in email dated November 30, 2022. Maximum additional connections determined according to 30 TAC §290.45 (b)(1)(D)

- Marilee identified the nearby existing facilities available to provide water service to the Decertified Area.[3] These facilities have the capacity to serve a maximum of 1,105 connections and currently serve approximately 622 connections.
- NewGen's analysis of just and adequate compensation is limited to the level of development that Marilee SUD's existing facilities are able to serve based on our review of publicly available data and data provided by Marilee SUD.
- 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 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 Marilee SUD'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 Marilee SUD 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. 52739. NewGen notes further that there is no certainty that any compensation will be awarded in any pending docket to decertify a portion of Marilee's service area.[4]
- 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.

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

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 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.

The Decertified Area, discussed in this report, is comprised of undeveloped land within Marilee SUD's CCN. The PUCT has determined the Decertified Area is not currently receiving water service.[5] However, Marilee contends it is capable of serving the water needs of the Decertified Area.[6]

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: Marilee SUD has issued debt to fund the planning, design, and construction of facilities to provide water service to existing and future customers within its CCN. An outcome of Marilee SUD's use of debt financing for long-term capital investments in the System is the general alignment of the payment for these assets with their expected service lives. This financing structure provides what could be considered a more equitable balance for the recovery of fixed costs from investments in the system amongst existing and future ratepayers. Because Marilee SUD has one tariff that applies to the entire system fixed costs related to debt service must be allocated and considered across all ratepayers within the system on the same basis. Marilee SUD provided annual financial statements that summarize the existing annual debt service payments on all outstanding debt. This payment schedule is included in the attached Schedule 1.

   If the decertification had not occurred, Marilee SUD 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

[5] Docket No. 52739, Order, Dated October 20, 2022

[6] Docket No. 52739, Marilee Special Utility District's Verified Response, Dated March 3, 2022

existing capacity to serve the Decertified Area. The Decertified Utility's engineering professional provided capacity data for the nearby existing facilities available to serve the Decertified Area.[3] NewGen estimated that the existing supply facilities could support approximately 483 additional connections.[3] 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 2,592[7] was an accurate representation of the total active connections on the existing Marilee SUD system as of the date of valuation. Additionally, NewGen assumed that the existing water connection count of approximately 622, provided by Marilee SUD's professional engineer, is an accurate representation of the current connections on the existing facilities available to serve the Decertified Area. According to the 2021 Regional Water Plan,[8] the population in Marilee SUD's service area is projected to grow at approximately 0.34%, 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).

NewGen estimated the Decertified Area could support approximately 124 new connections. This was based on the approximately 265.5 acres in the Decertified Area, less 30% for undevelopable purposes (e.g., roadways, creeks, stormwater ditches, etc.), leaving approximately 186 net acres for development. NewGen assumed the development would be composed of one single-family dwelling per net acre and a half for development based on the on-site sewage facility (e.g., septic tank) regulations in Collin County for subdivisions not served by a public water supply. This is consistent with a "rural standard" of development.[2]

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 a buildout of 124 connections, as discussed above, through steady growth over a five-year period beginning at the start of 2023. 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 2026 and 2030.

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

[7] Marilee active water connection count as provided by representatives from Marilee SUD
[8] 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

allocated to the Decertified Area by year is discounted to represent the present value today based on a 2.52% discount rate.[9] This discount rate was selected to represent the approximate cost of debt for Marilee SUD, based on the financial statements made available. Marilee SUD is a non-profit political subdivision that exists to provide water services to consumers within its CCN, subject to the provisions of Chapters 49 and 65 of the Texas Water Code. Marilee does not have equity shareholders and does not operate to deliver a monetary return from capital investments in the System. Marilee SUD'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 **$28,008**.

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

   Analysis: Marilee's service facilities located within the Decertified Area include a two-inch water line that runs through the northern portion of the tract, a four-inch water line that runs through the western portion of the tract, and a six-inch water line that runs through the southern portion of the tract.[5] These waterlines are not being transferred as a result of the decertification and are also not providing service to the Decertified Area as determined by the PUCT.[5] 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 52739. 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 Marilee SUD's existing system is located in the North Texas Groundwater Conservation District, Marilee SUD is not currently paying for any water allocable to the area in question. Marilee has an existing contract with the City of Sherman for the purchase of treated groundwater. This contract includes a take or pay component of 0.10 million gallons per day according to the documentation provided for NewGen's review. Data detailing recent purchases under this contract was also provided. The data indicate that Marilee historically purchases treated water in excess of the volume specified as take or pay, therefore, NewGen does not have evidence of any increased cost to remaining customers as a result of the Decertification. 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. NewGen has not been made aware of circumstances that would cause the infrastructure to be impaired or permanently underutilized as a result of the Decertification. There was no demonstrated impairment of service and the only potential source of increased cost to remaining Marilee customers were addressed in compensation Factors 2 and 8.

[9] Marilee Special Utility District, Audited Financial Statements, For the Years Ended December 31, 2020 and 2019

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

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

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

   Analysis: Marilee is entitled to recovery of any necessary and reasonable legal expenses and professional fees related to this decertification. NewGen was provided legal expenses and professional fees related to this decertification. At the time these costs were provided, legal expenses were approximately $11,441. Marilee's legal counsel for this Docket advised that the legal expenses to date for this Docket may be higher than might otherwise be expected due to the multiple amended applications filed by the Petitioner which required Marilee to prepare and file multiple, verified responses in kind. The total compensation for this factor is **$11,441**. However, compensation for this factor may need to be updated at a later date if additional legal or professional expenses related to this decertification are identified or incurred.

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	$ 28,008
Legal Expenses and Professional Fees *	$ 11,441
	$ 39,449

* 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, 2023).*
- 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:

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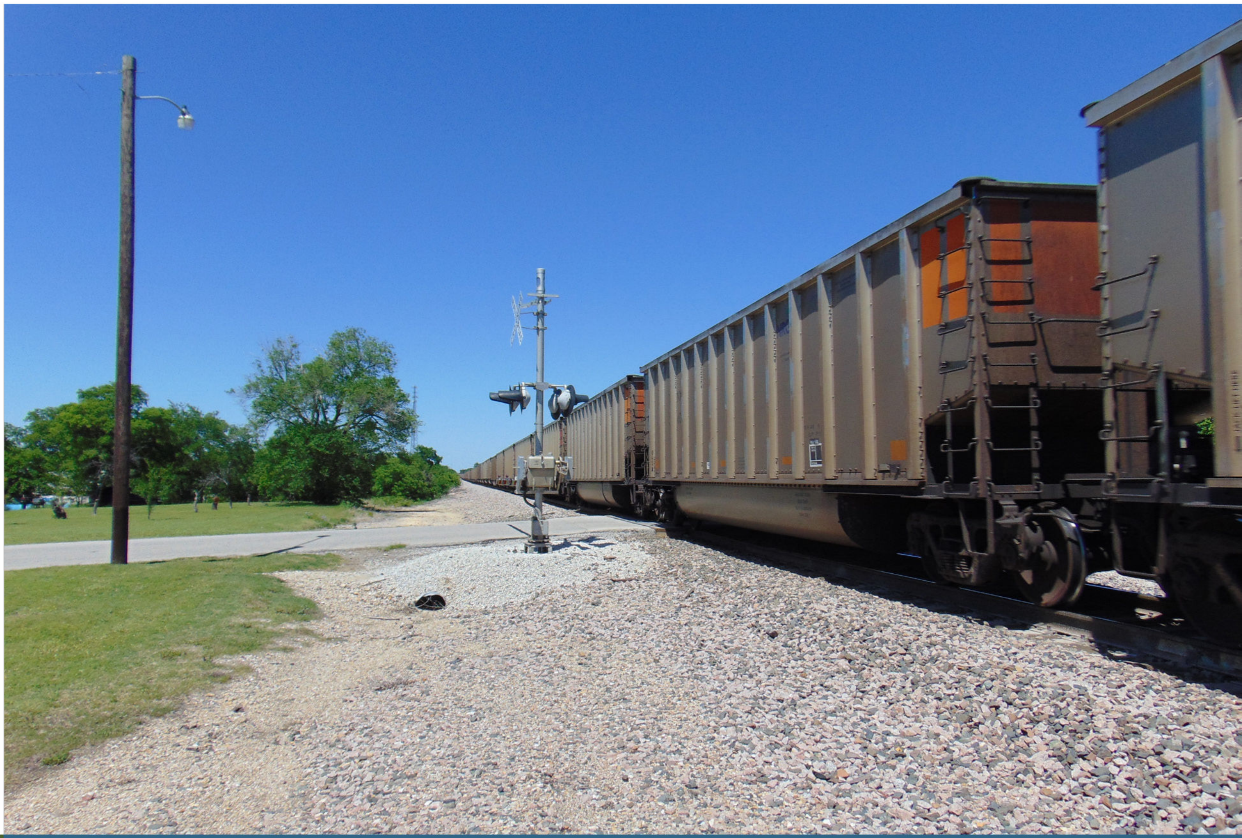
Zak Wright, ASA

December 12, 2022

NewGen Strategies & Solutions



SCHEDULE 1: ALLOCATION OF DEBT SERVICE TO THE DECERTIFIED AREA

DOCKET #52739

DECERTIFICATION COMPENSATION

Table 1
Assumptions
General Assumptions for Fixed Cost Allocation

All Counties

Marilee SUD - Growth Projections [1]	2020	2030
Population Projections	7,686	7,955
Potential Annual Connection Growth	0.34%	

Current Connection Count [2]	
Facilities Nearby Decertified Area	622
Marilee SUD Total System	2,592

Additional Connections to be Built in Decertified Area [3]		
Acreage of Decertified Area **[4]**	265.5	Acres
70% of Total Parcel Acreage **[5]**	186	Acres
Minimum Lot Size Requirement for OSSF	1.5	Acre
Additional Homes to be Built in Decertified Area [3]	124	Connections
Assumed Connections per Year	25	Connections

Maximum Additional Connections [6]	483

Maximum Connection Assumptions [7]		
Well Capacity per Connection	0.60	GPM/Connection

Cost of Debt [8]	2.52%

Footnotes:

[1] Data from 2021 Regional Plan - Population Projections for 2020-2070 for Water user Groups by Region and county. Data shown for Marilee SUD.

[2] 622 active connections on facilities nearby the area of interest per professional engineer for Marilee SUD. The total Marilee SUD Systems connection count is from Marilee representatives

[3] The State of Texas County of Collin Court Order No. 2008-187-03-11 Section 10(b)

[4] Docket 52739 Order, dated October 20, 2022

[5] Assumes 30% of total parcel is not used for residential development. Creeks and streams, lakes, roadways, etc.

[6] See Table 3.

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

[8] Based on review of existing debt.

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

Note Payable - GTUA [1]				Revenue Note - Series 2013 [1]			
				Interest Rate		2.52%	
Year	**Principal**	**Interest**	**Debt Service**	**Year**	**Principal**	**Interest**	**Total**
2022	$ 44,000	$ 9,859	$ 53,859	2022	$ 155,000	$ 18,711	$ 173,711
2023	$ 45,000	$ 9,052	$ 54,052	2023	$ 160,000	$ 14,742	$ 174,742
2024	$ 46,200	$ 8,161	$ 54,361	2024	$ 165,000	$ 10,647	$ 175,647
2025	$ 49,800	$ 4,979	$ 54,779	2025	$ 170,000	$ 4,347	$ 174,347
2026	$ 49,800	$ 4,979	$ 54,779	2026	$ 170,000	$ 4,347	$ 174,347
2027	$ 49,800	$ 4,979	$ 54,779	2027			
2028	$ 49,800	$ 4,979	$ 54,779	2028			
2029	$ 49,800	$ 4,979	$ 54,779	2029			
2030	$ 53,600	$ 1,329	$ 54,929	2030			

Fixed Cost per Connection					
Fiscal year	**Total System Beginning of Year Connection Count**	**Facility Nearby Decertified Area Growth**	**Remaining System Organic Growth**	**Total System End of Year Connection Count**	**Fixed Cost per Connection**
2022	2,592	2	7	2,601	$ 87.49
2023	2,601	27	7	2,635	$ 86.83
2024	2,635	27	7	2,669	$ 86.18
2025	2,669	27	7	2,703	$ 84.77
2026	2,703	27	7	2,737	$ 83.71
2027	2,737	26	7	2,770	$ 19.78
2028	2,770	2	7	2,779	$ 19.71
2029	2,779	2	7	2,788	$ 19.65
2030	2,788	2	7	2,797	$ 19.64

Footnotes:
[1] 2020 Final Audit Marilee SUD - Long-Term Debt Service

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

Pressure Plane #2 Wells #3,#6 [1]		
Well #3, #6 [1]	663	GPM
Total Possible Connections [2]		
Well #3, #6 [1]	1,105	Connections
Total Possible Connections	1,105	Connections
Current Connections [3]	622	Connections
Estimated Unused Capacity	483	Connections

Additional Connections Possible via Wells	483
Additional Connections Possible to Serve Area of Interest [4]	**483**

Footnotes:
[1] Facility data as provided by professional engineer for Marilee SUD.
[2] Table 1, Footnote 5
[3] Current Connections as provided by professional engineer for Marilee SUD
[4] 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**
Nearby System Service Area - Potential Connections	622	624	651	678	705	732	758	760	762
Marilee SUD Growth Rate [1]	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%
New Connections on Remaining System [2]	2	2	2	2	2	2	2	2	2
New Connections from Decertified Area	-	25	25	25	25	24	-	-	-
Nearby System Service Area - EOY Potential Connections	624	651	678	705	732	758	760	762	764
Nearby System Service Area - Maximum Connections	**1,105**	**1,105**	**1,105**	**1,105**	**1,105**	**1,105**	**1,105**	**1,105**	**1,105**

Decertified Area Annual Allocation of DS Payments [3]	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Total Annual Allocable Connections in Decertified Area [4]	-	25	50	75	100	124	124	124	124
Total Payment Allocable to Decertified Area Connections	$ -	$ 2,171	$ 4,309	$ 6,358	$ 8,371	$ 2,452	$ 2,444	$ 2,436	$ 2,435
Total Payment from Decertified Area	$ -	$ 2,171	$ 4,309	$ 6,358	$ 8,371	$ 2,452	$ 2,444	$ 2,436	$ 2,435

Total payment	$ 30,977
2022 NPV of Total Payment Amount	$ 28,008

Footnotes:

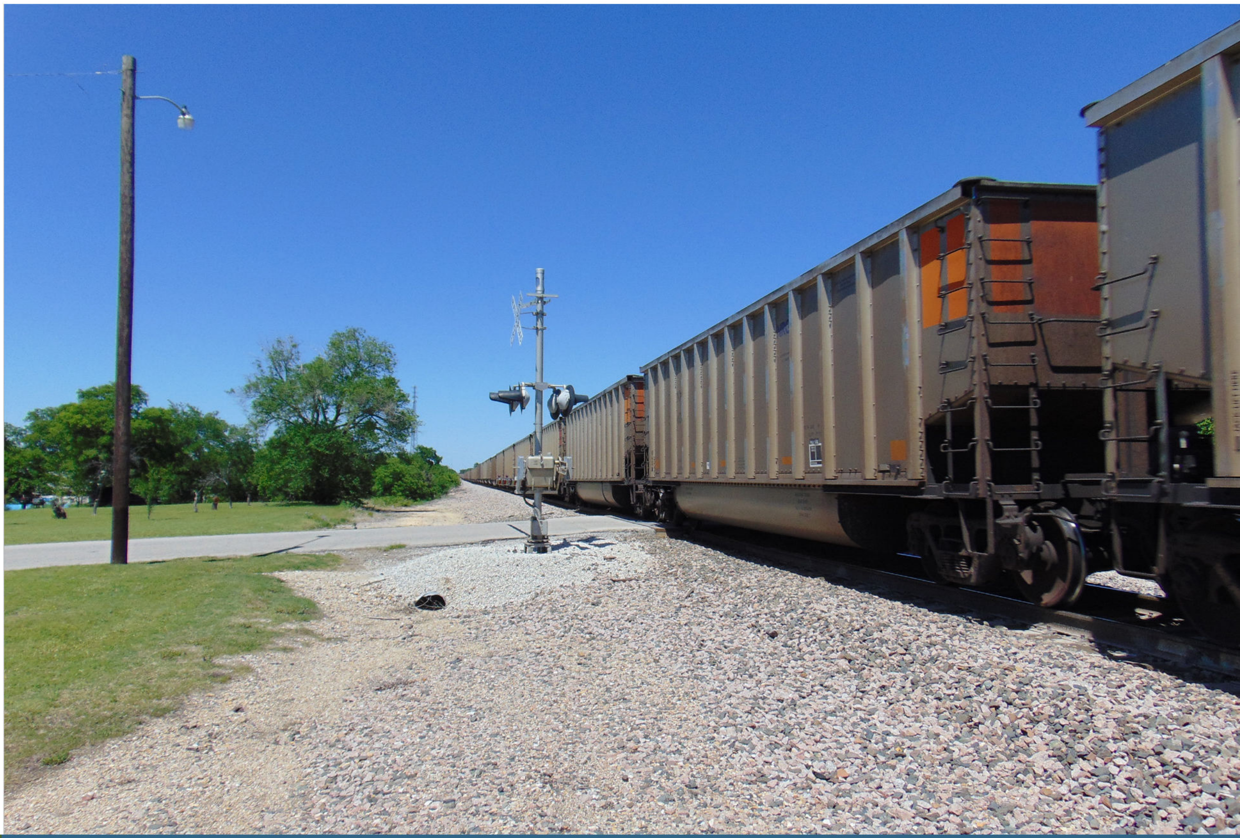
[1] Data from 2021 Regional Plan - Population Projections for 2020-2070 for Water user Groups by Region and county. Data shown for Marilee SUD total system.

[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.

NewGen Strategies & Solutions



THANK YOU!

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