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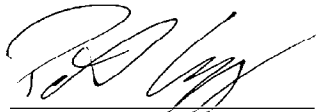
DOCKET NO. 52797

APPLICATION OF CONROE RESORT § PUBLIC UTILITY COMMISSION
UTILITIES, LLC AND UNDINE §
DEVELOPMENT, LLC FOR SALE, § OF TEXAS
TRANSFER, OR MERGER OF §
FACILITIES AND CERTIFICATE §
RIGHTS IN MONTGOMERY COUNTY §

APPLICANTS' SUPPLEMENT TO APPLICATION

Applicants submit the following **Attachment A** as a supplement to the Application, pursuant to Commission Staff request.

Respectfully submitted,
Gregg Law PC



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CERTIFICATE OF SERVICE

I certify by my above signature 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 October 19, 2022, in accordance with the Order Suspending Rules, issued in Project No. 50664.

ATTACHMENT A

Conroe Resort Utilities, Inc.

Issues with system: The utility is in need of an upgraded well and water treatment plant at the Balboa site to add 390 new connections and provide immediate essential fire flow for the resort. Undine will demolish the existing water plant and reconstruct a new one in its place.

Needed infrastructure upgrades and other changes that would increase costs:

Water Plant #1

Back up Generator	\$ 116,167
Coating of Hydropneumatics Tank (HPT)	\$ 23,748
Well #1 and Well #3 Single Power Source	\$ 25,443
Replace Well and Booster Pump Control Panels	\$ 121,904
New Air Compression	\$ 13,668
Drill New Well	\$ 405,000
Larger Boosters Pumps	\$ 70,000
Relocation of 5,000-gal HPT tank from Plant #2	\$ 30,000
Protective Coatings on all ground storage tanks	\$ 25,000
New 100,000-gal ground storage tank	\$ 235,000
Chlorine modifications for new well	\$ 25,000
Site work - gradings, drainage, seeding,, fencing	\$ 30,000
Fire lane to Resort from Plant #2	\$ 40,140
Water Plant #1 Subtotal	\$ 1,161,070

Wastewater Plant

Lift Pumps & (STA-CON Control Panel)	\$ 136,440
Clarifier Panel Rehab	\$ 8,316
Wastewater Subtotal	\$ 144,756

Offsite Lift Station

New/Rebuilt Pumps	\$ 26,080
New Control Panel	\$ 33,157
New Discharge Piping	\$ 24,408
Offsite Lift Station Subtotal	\$ 83,645

Additional Costs

Generator WP #1	\$ 100,000
Water Meters	\$ 75,000
Contingency	\$ 100,000
Engineering	\$ 152,000
TCEQ Permits	\$ 15,000
Construction Permits	\$ 10,000
Capacity Adjustment	\$ (79,000)
GRAND PROJECT TOTALS	\$ 1,762,471

Other reasons supporting acquisition:

Undine has substantial experience operating water and wastewater utilities in the state of Texas. They have acquired several other utilities in the area and can offer economies of scale for mediating costs of operations. Undine provides centralized customer service that exceeds AWWA best practices as well as TCEQ and PUC standards.

Undine contracts its O&M endeavors with H2O Innovation, winner of the prestigious Water Company of the Year award at the 2020 Global Water Awards. H2O serves more than 60,000 connections in Texas each month. They have more than 100 water professionals in the greater Houston area, with 40 of their operators certified by the TCEQ.

**Conroe Resort Utilities
Projected Capital Expenditures**

	<i>At Close</i>	<i>YR 1</i>	<i>YR 2</i>	<i>YR 3</i>	<i>YR 4</i>	<i>YR 5</i>	<i>YR 6</i>	<i>YR 7</i>
Annual Capex								
Specific Capex								
Capital Projects								
Well	\$ -	\$ 405,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pressure Tank		85,000	-	-	-	-	-	-
Ground Storage		235,000	-	-	-	-	-	-
Booster Pumps		75,000	-	-	-	-	-	-
Building		75,000	-	-	-	-	-	-
Chlorination		25,000	-	-	-	-	-	-
WWTP		145,000	-	-	-	-	-	-
Lift Stations		85,000	-	-	-	-	-	-
Misc.		260,000	-	-	-	-	-	-
Total Capital Projects	-	1,390,000	-	-	-	-	-	-
Leak Program (50% of Depr.)	-	56,313	76,770	79,514	82,352	85,285	88,317	91,452
Engineering & Contingency	-	347,500	-	-	-	-	-	-
Meter Replacement	-	9,092	9,092	9,092	9,092	9,092	9,092	9,092
Total Specific Capex	-	1,802,905	85,862	88,606	91,444	94,377	97,409	100,544
Non-Specific Capex (50% of Depr.)	-	56,313	76,770	79,514	82,352	85,285	88,317	91,452
Total Annual Capex	\$ -	\$ 1,859,218	\$ 162,631	\$ 168,120	\$ 173,795	\$ 179,661	\$ 185,725	\$ 191,995
Check		-	-	-	-	-	-	-
Annual Depreciation		\$ 112,626	\$ 153,539	\$ 159,028	\$ 164,703	\$ 170,569	\$ 176,633	\$ 182,903

Conroe Resort Utilities

Rate Phase-In Analysis (4-YR Development Rates)

	Historic Rates	RATE PHASE-IN			
	YR 1	YR 1	YR 2	YR 3	YR 4
Customers (ERCs)					
Water	707	707	707	707	707
Wastewater	696	696	696	696	696
Total Customers (ERCs)	1,403	1,403	1,403	1,403	1,403
AVG Bill (per ERC)					
Water	\$ 27.91	\$ 38.05	\$ 48.18	\$ 58.32	\$ 68.45
Sewer	\$ 36.28	\$ 48.35	\$ 60.41	\$ 72.48	\$ 84.54
Income Statement					
Revenue					
Service Revenue					
Water	\$ 236,788	\$ 322,774	\$ 408,759	\$ 494,744	\$ 580,730
Wastewater	303,011	403,777	504,544	605,311	706,078
Total Service Revenue	\$ 539,799	\$ 726,551	\$ 913,303	\$ 1,100,056	\$ 1,286,808
Total Revenue	\$ 539,799	\$ 726,551	\$ 913,303	\$ 1,100,056	\$ 1,286,808
Operating Expenses					
O&M					
Contract Operations	\$ 321,086	\$ 321,086	\$ 324,308	\$ 327,564	\$ 330,852
Postage & Mailing	2,810	2,810	2,838	2,867	2,896
Total O&M	\$ 323,896	\$ 323,896	\$ 327,147	\$ 330,431	\$ 333,747
Variable					
Bad Debt Expense	\$ 12,868	\$ 12,868	\$ 12,868	\$ 12,868	\$ 12,868
Conservation District Pumpage Fee	19,304	19,304	19,304	19,304	19,304
Fixed					
Sludge Removal Expense	\$ 10,038	\$ 10,038	\$ 10,138	\$ 10,240	\$ 10,343
Purchased Power	47,678	47,678	48,157	48,640	49,129
Chemicals	13,350	13,350	13,484	13,619	13,756
Repairs & Maintenance	188,706	188,706	190,600	192,513	194,446
Materials & Supplies	6,223	6,223	6,286	6,349	6,413
Testing	14,053	14,053	14,194	14,336	14,480
General & Administrative	257,691	257,691	260,268	262,871	265,499
Bank Fees	100	100	101	102	103
Insurance - General Liab	11,644	11,644	11,760	11,878	11,998
Property Taxes	8,632	8,632	8,719	8,806	8,895
Permitting & Other Regulatory	1,205	1,205	1,217	1,229	1,241
Other Operating Expenses	806	806	822	839	856
Total Operating Expenses	\$ 916,194	\$ 916,194	\$ 925,065	\$ 934,026	\$ 943,078
Utility EBITDA	\$ (376,395)	\$ (189,642)	\$ (11,762)	\$ 166,029	\$ 343,730
EBITDA Margin	-69.73%	-26.10%	-1.29%	15.09%	26.71%
Depreciation	\$ 112,626	\$ 112,626	\$ 153,539	\$ 159,028	\$ 164,703
Interest Expense	165,582	165,582	167,412	171,133	174,979
Earnings before Taxes	\$ (654,603)	\$ (467,851)	\$ (332,713)	\$ (164,132)	\$ 4,048
Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ 850
Net Income	\$ (654,603)	\$ (467,851)	\$ (332,713)	\$ (164,132)	\$ 3,198
Rate Base					
Beginning Balance	\$ 500,095	\$ 500,095	\$ 2,246,687	\$ 2,255,779	\$ 2,264,871
Add: Capex	1,859,218	1,859,218	162,631	168,120	173,795
Less: Depreciation	(112,626)	(112,626)	(153,539)	(159,028)	(164,703)
Ending Balance	\$ 2,246,687	\$ 2,246,687	\$ 2,255,779	\$ 2,264,871	\$ 2,273,963
Return on Rate Base	-29.14%	-20.82%	-14.75%	-7.25%	0.14%
Investment					
Purchase Price	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000
Cumulative Capex	1,859,218	1,859,218	2,021,849	2,189,969	2,363,764
Total Investment	\$ 7,359,218	\$ 7,359,218	\$ 7,521,849	\$ 7,689,969	\$ 7,863,764
Return on Investment	-8.90%	-6.36%	-4.42%	-2.13%	0.04%

Conroe Resort Utilities

Rate Phase-In Analysis (3-YR Development Rates)

	Historic Rates	RATE PHASE-IN		
	YR 1	YR 1	YR 2	YR 3
Customers (ERCs)				
Water	707	707	707	707
Wastewater	696	696	696	696
Total Customers (ERCs)	1,403	1,403	1,403	1,403
AVG Bill (per ERC)				
Water	\$ 27.91	\$ 41.42	\$ 54.94	\$ 68.45
Sewer	\$ 36.28	\$ 52.37	\$ 68.45	\$ 84.54
Income Statement				
Revenue				
Service Revenue				
Water	\$ 236,788	\$ 351,436	\$ 466,083	\$ 580,730
Wastewater	303,011	437,366	571,722	706,078
Total Service Revenue	\$ 539,799	\$ 788,802	\$ 1,037,805	\$ 1,286,808
Total Revenue	\$ 539,799	\$ 788,802	\$ 1,037,805	\$ 1,286,808
Operating Expenses				
O&M				
Contract Operations	\$ 321,086	\$ 321,086	\$ 324,308	\$ 327,564
Postage & Mailing	2,810	2,810	2,838	2,867
Total O&M	\$ 323,896	\$ 323,896	\$ 327,147	\$ 330,431
Variable				
Bad Debt Expense	\$ 12,868	\$ 12,868	\$ 12,868	\$ 12,868
Conservation District Pumpage Fee	19,304	19,304	19,304	19,304
Fixed				
Sludge Removal Expense	\$ 10,038	\$ 10,038	\$ 10,138	\$ 10,240
Purchased Power	47,678	47,678	48,157	48,640
Chemicals	13,350	13,350	13,484	13,619
Repairs & Maintenance	188,706	188,706	190,600	192,513
Materials & Supplies	6,223	6,223	6,286	6,349
Testing	14,053	14,053	14,194	14,336
General & Administrative	257,691	257,691	260,268	262,871
Bank Fees	100	100	101	102
Insurance - General Liab	11,644	11,644	11,760	11,878
Property Taxes	8,632	8,632	8,719	8,806
Permitting & Other Regulatory	1,205	1,205	1,217	1,229
Other Operating Expenses	806	806	822	839
Total Operating Expenses	\$ 916,194	\$ 916,194	\$ 925,065	\$ 934,026
Utility EBITDA	\$ (376,395)	\$ (127,392)	\$ 112,739	\$ 352,781
EBITDA Margin	-69.73%	-16.15%	10.86%	27.42%
Depreciation	\$ 112,626	\$ 112,626	\$ 153,539	\$ 159,028
Interest Expense	165,582	165,582	167,412	171,133
Earnings before Taxes	\$ (654,603)	\$ (405,600)	\$ (208,212)	\$ 22,620
Income Taxes	\$ -	\$ -	\$ -	\$ 4,750
Net Income	\$ (654,603)	\$ (405,600)	\$ (208,212)	\$ 17,870
Rate Base				
Beginning Balance	\$ 500,095	\$ 500,095	\$ 2,246,687	\$ 2,255,779
Add: Capex	1,859,218	1,859,218	162,631	168,120
Less: Depreciation	(112,626)	(112,626)	(153,539)	(159,028)
Ending Balance	\$ 2,246,687	\$ 2,246,687	\$ 2,255,779	\$ 2,264,871
Return on Rate Base	-29.14%	-18.05%	-9.23%	0.79%
Investment				
Purchase Price	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000
Cumulative Capex	1,859,218	1,859,218	2,021,849	2,189,969
Total Investment	\$ 7,359,218	\$ 7,359,218	\$ 7,521,849	\$ 7,689,969
Return on Investment	-8.90%	-5.51%	-2.77%	0.23%

Conroe Resort Utilities

Rate Phase-In Analysis (3-YR Undine TX LLC Rates)

	Historic Rates	RATE PHASE-IN		
	YR 1	YR 1	YR 2	YR 3
Customers (ERCs)				
Water	707	707	707	707
Wastewater	696	696	696	696
Total Customers (ERCs)	1,403	1,403	1,403	1,403
AVG Bill (per ERC)				
Water	\$ 27.91	\$ 51.32	\$ 57.73	\$ 64.19
Sewer	\$ 36.28	\$ 75.00	\$ 92.50	\$ 110.00
Income Statement				
Revenue				
Service Revenue				
Water	\$ 236,788	\$ 435,399	\$ 489,781	\$ 544,588
Wastewater	303,011	626,400	772,560	918,720
Total Service Revenue	\$ 539,799	\$ 1,061,799	\$ 1,262,341	\$ 1,463,308
Total Revenue	\$ 539,799	\$ 1,061,799	\$ 1,262,341	\$ 1,463,308
Operating Expenses				
O&M				
Contract Operations	\$ 321,086	\$ 321,086	\$ 324,308	\$ 327,564
Postage & Mailing	2,810	2,810	2,838	2,867
Total O&M	\$ 323,896	\$ 323,896	\$ 327,147	\$ 330,431
Variable				
Bad Debt Expense	\$ 12,868	\$ 12,868	\$ 12,868	\$ 12,868
Conservation District Pumpage Fee	19,304	19,304	19,304	19,304
Fixed				
Sludge Removal Expense	\$ 10,038	\$ 10,038	\$ 10,138	\$ 10,240
Purchased Power	47,678	47,678	48,157	48,640
Chemicals	13,350	13,350	13,484	13,619
Repairs & Maintenance	188,706	188,706	190,600	192,513
Materials & Supplies	6,223	6,223	6,286	6,349
Testing	14,053	14,053	14,194	14,336
General & Administrative	257,691	257,691	260,268	262,871
Bank Fees	100	100	101	102
Insurance - General Liab	11,644	11,644	11,760	11,878
Property Taxes	8,632	8,632	8,719	8,806
Permitting & Other Regulatory	1,205	1,205	1,217	1,229
Other Operating Expenses	806	806	822	839
Total Operating Expenses	\$ 916,194	\$ 916,194	\$ 925,065	\$ 934,026
Utility EBITDA	\$ (376,395)	\$ 145,605	\$ 337,276	\$ 529,281
EBITDA Margin	-69.73%	13.71%	26.72%	36.17%
Depreciation	\$ 112,626	\$ 112,626	\$ 153,539	\$ 159,028
Interest Expense	165,582	165,582	167,412	171,133
Earnings before Taxes	\$ (654,603)	\$ (132,603)	\$ 16,325	\$ 199,121
Income Taxes	\$ -	\$ -	\$ 3,428	\$ 41,815
Net Income	\$ (654,603)	\$ (132,603)	\$ 12,897	\$ 157,305
Rate Base				
Beginning Balance	\$ 500,095	\$ 500,095	\$ 2,246,687	\$ 2,255,779
Add: Capex	1,859,218	1,859,218	162,631	168,120
Less: Depreciation	(112,626)	(112,626)	(153,539)	(159,028)
Ending Balance	\$ 2,246,687	\$ 2,246,687	\$ 2,255,779	\$ 2,264,871
Return on Rate Base	-29.14%	-5.90%	0.57%	6.95%
Investment				
Purchase Price	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000
Cumulative Capex	1,859,218	1,859,218	2,021,849	2,189,969
Total Investment	\$ 7,359,218	\$ 7,359,218	\$ 7,521,849	\$ 7,689,969
Return on Investment	-8.90%	-1.80%	0.17%	2.05%