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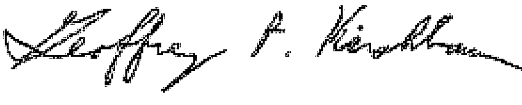
CRYSTAL BLUFF GOAT RANCHES	§	BEFORE THE PUBLIC UTILITY
LLC's APPEAL OF THE COST OF	§	
OBTAINING SERVICE FROM	§	COMMISSION OF TEXAS
POSSUM KINGDOM WATER SUPPLY	§	
CORPORATION	§	

**POSSUM KINGDOM WATER SUPPLY CORPORATION'S RESPONSE TO
COMMISSION STAFF'S THIRD REQUESTS FOR INFORMATION**

To: Commission Staff, by and through its attorneys of record, Merritt Lander and Bradley Reynolds, Public Utility Commission of Texas, 1701 N. Congress Avenue, Austin, Texas 78711.

Possum Kingdom Water Supply Corporation (Possum Kingdom WSC) serves the following Responses to Commission Staff's Third Request for Information to Possum Kingdom Water Supply Corporation Question Nos. Staff 3-1 through Staff 3-2. Possum Kingdom WSC stipulates that the following responses to RFIs may be treated by all parties as if the answer was filed under oath.

Respectfully submitted,

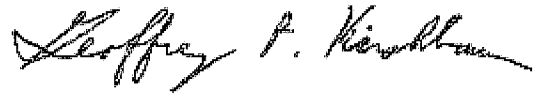
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**ATTORNEYS FOR POSSUM KINGDOM
WATER SUPPLY CORPORATION**

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 11, 2022, in accordance with the Orders Suspending Rules filed in Project No. 50664.

A handwritten signature in black ink, reading "Geoffrey P. Kirshbaum". The signature is written in a cursive style with a large, stylized 'G' and 'K'.

Geoffrey P. Kirshbaum

I. RESERVATION OF RIGHTS

Possum Kingdom WSC incorporates each of the following into the individual responses made below and make the individual responses subject thereto.

1. No inadvertent production of any information or documents protected by the attorney-client privilege, work product doctrine, and/or any other applicable privilege or protection is intended to or shall operate as a waiver of these objections in whole or in part, and Possum Kingdom WSC reserves all its rights to seek the return, destruction, or other protection of such inadvertently produced information. Possum Kingdom WSC does not by its responses and objections waive any claim of privilege in whole or in part, or any right to object to any use of any document or information furnished by Possum Kingdom WSC.
2. The responses contained herein are based on information currently available and are subject to revision or supplementation upon further investigation and discovery. Possum Kingdom WSC reserves the right to use, and to rely upon at trial, subsequently discovered information, including without limitation fact and expert discovery. Possum Kingdom WSC further reserves the right to supplement or amend their responses to these Requests as necessary. Possum Kingdom WSC undertakes no obligation to supplement or amend their responses except as required by applicable law.
3. Possum Kingdom WSC reserves the right to challenge the appeal filed against it by Crystal Bluff Goat Ranches, LLC and that initiated this proceeding based on jurisdiction or any other basis.
4. Each of Possum Kingdom WSC's specific responses, set forth below, is made subject to and without waiver of the foregoing.

RESPONSES TO REQUESTS FOR INFORMATION

STAFF RFI 3-1

Crystal Bluff Goat Ranches, LLC alleges that Possum Kingdom WSC has offered very little information to justify the contribution in aid of construction (CIAC) fee increase from \$2,300 to \$13,385 per meter in less than four years. Please explain such increase. Also, please indicate how the CIAC amount of \$2,300 was determined in 2017.

RESPONSE:

In 2017, Possum Kingdom WSC had a CIAC fee of \$2,300 based on the costs to expand the Water Treatment Plant (WTP) for additional capacity. The expansion of the Possum Kingdom WSC WTP consisted of a new Reverse Osmosis (R/O) skid and an upgrade to the Micro-Filtration (MF) Unit. There were no brick-and-mortar expansion requirements as the footprint of the WTP allowed for this upgrade to occur. The initial cost of this expansion was \$1.79 Million. Utilizing the same calculation as explained in Possum Kingdom WSC response to Staff Question 1-3 and 2-1, the resulting cost of the CIAC fee was \$2,300.

- a. Cost of expansion for a new R/O skid and upgrade the MF unit - \$1.79M
- b. Calculation
 - TCEQ ACR is 0.38 gpm which equals 547 GPD per meter
 - 85% rule applied
 - $(0.5 \text{ MGD} \times 0.85) / 547 \text{ GPD/meter} = 777 \text{ meters}$
 - Cost of expansion (\$1.79M) / 777 meters = \$2,300.00 CIAC cost per connection

Crystal Bluff Goat Ranches, LLC was offered this cost in 2017 as noted in the email dated June 6, 2017 with a Non-Standard Contract. The developer was asked to review the contract and respond in due time to get this contract approved at the June 21, 2017 Board of Directors meeting. In addition, Possum Kingdom WSC, in good faith, also sent Crystal Bluff Goat Ranches, LLC a will serve letter so that the developer could work with Palo Pinto County office to get the entirety of the property developed and platted for the twelve (12) lots. Crystal Bluff Goat Ranches, LLC failed to respond to the Non-Standard Contract offer in 2017, 2018, 2019 or 2020.

During the three years from when the original Non-Standard Contract offer was made to Crystal Bluff Goat Ranches, LLC, June 2017 – 2020, all available capacity was reserved. Therefore, Possum Kingdom WSC started efforts to determine the next upgrade requirements for the water supply system.

In January 2021, Enprotec Hibbs and Todd (eHT), engineering firm for Possum Kingdom WSC, completed an initial cost estimate for the next WTP expansion. The existing Possum Kingdom WSC WTP had no additional capacity within the footprint of its building. Therefore, the next expansion required brick-and-mortar construction as part of the project to add

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additional capacity to the water supply system. At the April 2021 Possum Kingdom WSC Board of Directors meeting, eHT presented the cost estimate for this next expansion: \$10.4M. The eHT cost estimate and April 2021 Board Meeting Minutes were produced in response to Staff RFI 1-3 as PKWSC 000081 – PKWSC 000085.

Utilizing the same calculation as shown above, and as described in Possum Kingdom WSC's response to Staff Question 1-3 and 2-1, the new CIAC fee was calculated as follows:

- a. eHT cost estimate - \$10,400,000.00
- b. Calculation
 - TCEQ ACR is 0.38 gpm which equals 547 GPD per meter
 - 85% rule applied
 - $(0.5 \text{ MGD} \times 0.85) / 547 \text{ GPD/meter} = 777 \text{ meters}$
 - Estimated Cost of Expansion (\$10.4M) / 777 meters = \$13,385.00
 - CIAC cost per connection

Developers are responsible for the CIAC cost per connection in effect when they sign their non-standard service contract. The total CIAC cost is calculated based on how many connections are requested. Here, the developer requested twelve (12) connections. Therefore, if that developer signs a non-standard service contract, that developer would be responsible for the \$13,385.00 CIAC cost per connection times the number of requested connections as shown below.

Calculation based on developer request of 12 connections:

$$\$13,385.00 \times 12 = \$160,620.00$$

Notification to Crystal Bluff Goat Ranches, LLC of this new CIAC cost per connection was provided on May 11, 2021. *See* PKWSC 000214.¹ In addition, a new Non-Standard Contract was offered on May 11, 2021 with the letter sent to Crystal Bluff Goat Ranches, LLC. *See* PKWSC 000215 - PKWSC 000227. Possum Kingdom WSC, in good faith, grandfathered in the first two (2) meters which were already installed at residences owned by individuals who had already become members of Possum Kingdom WSC, as noted in the letter dated May 11, 2021. Therefore, the offer made to Crystal Bluff Goat Ranches, LLC was for ten (10) meters at a cost of \$133,850.00. Communications about a possible non-standard service contract using that price extended into 2022, but no contract was executed. Crystal Bluff Goat Ranches, LLC decided to file this appeal instead.

¹ PKWSC 000214 and PKWSC 000215-PKWSC 000227 were attached as part of Exhibit 3 to PKWSC's Plea to the Jurisdiction, Motion to Dismiss, and Response to Appeal (May 16, 2022).

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If Crystal Bluff Goat Ranches, LLC has now decided less connections are needed, Possum Kingdom WSC would adjust the total price accordingly. But the same methodology was used in both 2017 and 2021 to arrive at the CIAC cost per connection. The increase in that cost is entirely related to different costs attributable to two different projects upon which the cost was based at two different times. Possum Kingdom WSC cannot reasonably be expected to hold a CIAC cost per connection established at one point time at the same level indefinitely.

Prepared and Sponsored by: Tom Labbe, General Manager,
Possum Kingdom Water Supply Corporation

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STAFF RFI 3-2 Please refer to Possum Kingdom WSC's Response to Staff's RFI 1-4. In its response, Possum Kingdom WSC noted that: "The projects will be sized to serve new customers in other developments too. Developers of those projects would pay CIAC as applicable." Please explain whether this is related to any clause of Possum Kingdom WSC's bylaws or tariff or if it is only a common practice by the WSC.

RESPONSE: The quoted statement by Possum Kingdom WSC in response to Staff RFI 1-4 relates to applicable Possum Kingdom WSC tariff provisions. This is not just a "common practice by the WSC" implemented outside of its tariff. Possum Kingdom WSC previously produced its tariff in response to Staff RFI 1-5 as PKWSC 000001 – PKWSC 000064.

The term "developer" as defined in Possum Kingdom WSC Tariff, Section C, page 1 of 4, is defined as the following:

Developer – Any person, partnership, cooperative corporation, corporation, agency, or public or private organization who subdivides land or requests two (2) or more water or sewer service connections on a single contiguous tract of land [as defined in Chapter 13.2502 (e)(1) of the Water Code].

In Possum Kingdom WSC Tariff, Section E, Service Rules and Regulations, (2) Application Procedures and Requirements, (b) Non-Standard Service, "non-standard service" is defined and it states that the "service requirements as prescribed in Section F of this Tariff shall be required of the Non-Standard Service Applicant prior to providing service." Additional requirements for both standard and non-standard service are found in Section E of the Possum Kingdom WSC Tariff.

Possum Kingdom WSC Tariff, Section F, Developer, Subdivision and Non-Standard Service Requirements details the requirements for all types of non-standard service requests, including the requirement in Section F.4. for the non-standard service applicant and WSC to execute a Non-Standard Service Contract with specific terms and conditions that will govern the WSC's non-standard service requested. At the end of Section F in the Possum Kingdom WSC Tariff, a blank template Non-Standard Service Contract is included. The Non-Standard Service Contract template is utilized for all non-standard service requests and Paragraph 6 clearly outlines the Contribution in aid of Construction ("CIAC") requirements. That paragraph discusses the concept of developers paying for reserved existing service capacities for their property, "plus increased capacity to be created by an upgrade(s) to the Water Treatment Plant ("WTP") to increase production in .5 MGD increments, a portion of which will be dedicated to the Developer's service area." Thus, each developer pays CIAC for only

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that developer's pro rata share of WTP upgrades in which the developer wants to reserve capacity for specific developments.

Here, Possum Kingdom WSC has only asked that Crystal Bluff Goat Ranches pay for its share of the latest .5 MGD WTP upgrade as part of its offered Non-Standard Service Contract. Other developers are asked to do the same. This practice is entirely consistent with Possum Kingdom WSC's tariff and reasonable.

Prepared and Sponsored by: Tom Labbe, General Manager,
Possum Kingdom Water Supply Corporation