



## Filing Receipt

**Received - 2022-12-29 02:42:26 PM**

**Control Number - 53450**

**ItemNumber - 20**

**DOCKET NO. 53450**

**PETITION OF VPTM CROSS CREEK LB, LLC TO AMEND MARILEE SPECIAL UTILITY DISTRICT'S CERTIFICATE OF CONVENIENCE AND NECESSITY IN COLLIN COUNTY BY STREAMLINED EXPEDITED RELEASE** §  
§  
§  
§  
§  
§  
§

**BEFORE THE 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 \$30,674.00. Order No. 3 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](mailto: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 29<sup>th</sup> day of December 2022.

Sent Via Email to: [nscott@coatsrose.com](mailto: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](mailto:scott.miles@puc.texas.gov)  
and [Mildred.Anaele@puc.texas.gov](mailto:Mildred.Anaele@puc.texas.gov)

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



---

John J. Carlton



DOCKET #53450

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

**DECEMBER 2022**

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



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

December 29, 2022

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

**Re: Decertification Compensation - Docket No. 53450 – 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:  
  
FB62F346CFA8440...  
Chris Ekrut, Chief Financial Officer

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

## Table of Contents

<b>Section 1 Premise of the Appraisal .....</b>	<b>1-1</b>
Scope of Services .....	1-1
Date of Valuation.....	1-1
Date of Report .....	1-1
Factors for Compensation .....	1-1
NewGen Strategies and Solutions .....	1-2
<b>Section 2 Assumptions, Considerations and Limiting Conditions.....</b>	<b>2-1</b>
<b>Section 3 Analyses .....</b>	<b>3-1</b>
Introduction.....	3-1
Analysis of Factors for Compensation.....	3-1
Conclusions.....	3-4
<b>Section 4 Certification .....</b>	<b>4-1</b>

## List of Schedules

- 1 Allocation of Debt Service to the Decertified Area

## List of Exhibits

- 1 Copies of Legal Invoices

## List of Tables

Table 3-1 Compensation Summary.....	3-4
-------------------------------------	-----

## **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 37.7 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 VPTM Cross Creek LB, LLC (VPTM) in Docket No. 53540 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 29, 2022.

### **Date of Report**

The date of this report is December 29, 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;



## Section 1

---

- 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:

- NewGen assumed it was reasonable to expect the buildout plan for the Decertified Area, as detailed in the Tuscany Estates Concept Plan, remains accurate.<sup>1</sup> The concept plan projects approximately 125 connections within the Decertified Area at full buildout.
- NewGen assumes the estimated connection count and a 5-year timeline for the complete buildout of the Decertified Area<sup>2</sup> beginning in year 2023 is reasonable. This assumption results in approximately 25 additional annual connections in the decertified area from 2023 through 2027. NewGen understands that the Certificate Holder's nearby existing facilities can accommodate a maximum of 483 additional connections.<sup>2</sup> This is detailed further in the assumptions below and subsequent analysis of the compensation factors.
- Marilee identified the nearby existing facilities available to provide water service to the Decertified Area.<sup>2</sup> 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.

---

<sup>1</sup> KFM Engineering and Design, LLC., Tuscany Estates Concept Plan, Dated June 17, 2021

<sup>2</sup> Facility data as provided by professional engineer for Marilee SUD. Maximum additional connections determined according to 30 TAC §290.45 (b)(1)(D)



## Section 2

---

- 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. 53450. 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.<sup>3</sup>
- 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.

---

<sup>3</sup> 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 in order 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.<sup>4</sup> However, Marilee contends it is capable of serving the water needs of the Decertified Area.<sup>5</sup>

### 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 is obligated to provide continuous and adequate service to current and future customers within the area of its CCN. Advanced planning and investment in critical infrastructure and source of supply is required to meet this obligation. Debt is a key source of funding for capital projects undertaken by water utilities, and Marilee has outstanding debt issuances whose proceeds were used for investments in its system. 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. Further, because Marilee SUD has one tariff reflecting a system-wide rate structure that applies to all customers receiving service from the system, fixed costs related to debt service must be allocated and considered across all ratepayers within the system on the same basis, regardless of how that debt was utilized to fund specific elements of infrastructure and irrespective of that infrastructure's geographic location within the system. As development occurs within Marilee's CCN

---

<sup>4</sup> Docket No. 53540, Order, Dated October 20, 2022

<sup>5</sup> Docket No. 53540, Marilee Special Utility District's Verified Response, Dated June 20, 2022

## Section 3

---

and new ratepayers connect to the system, these new ratepayers pay the same system-wide rate as existing ratepayers, irrespective of the physical location of their connection to the system and the specific infrastructure used to serve those customers.<sup>6</sup> When a portion of Marilee's CCN is decertified, the debt payment component of system-wide rates is serviced on a going forward basis by a smaller amount of connections than might otherwise exist on the system if the decertification had not occurred. This connection count differential is eventually resolved via continued growth on the remaining system. However, to ensure existing customers are not financially harmed from the decertification action, the impact to fixed cost recovery of the debt service payment included in system-wide rates must be recognized until such time as growth on the remaining system naturally resolves the differential.

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 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.<sup>2</sup> NewGen estimated that the existing supply facilities could support approximately 483 additional connections.<sup>2</sup> 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<sup>7</sup> 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,<sup>8</sup> 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).

### **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 125 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

---

<sup>6</sup> It is reasonable to assume that debt service payments are not recovered solely from customers that receive service from the facilities for which the debt was utilized based on this system-wide approach to rate design.

<sup>7</sup> Marilee active water connection count as provided by representatives from Marilee SUD

<sup>8</sup> 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

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 allocated to the Decertified Area by year is discounted to represent the present value today based on a 2.52% discount rate.<sup>9</sup> 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 **\$28,072**.

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 six-inch and eight-inch water line running through the northeastern portion of the tract and a four-inch waterline that runs through the eastern portion of the tract.<sup>4</sup> 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.<sup>4</sup> 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 53540. 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.

---

<sup>9</sup> Marilee Special Utility District, Audited Financial Statements, For the Years Ended December 31, 2020 and 2019

## Section 3

---

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.

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 \$2,602. The total compensation for this factor is **\$2,602**. 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	\$ 28,072
Legal Expenses and Professional Fees *	\$ 2,602
	<b>\$ 30,674</b>

\* 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:  
  
1870379CE9854F5...  
Zak Wright, ASA  
December 29, 2022





# SCHEDULE 1: ALLOCATION OF DEBT SERVICE TO THE DECERTIFIED AREA

DOCKET #53450

**DECERTIFICATION  
COMPENSATION**



**Table 1**  
**Assumptions**  
**General Assumptions for Fixed Cost Allocation**

**All Counties**

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

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

<b>Additional Homes to be Built in Decertified Area [3]</b>		
Assumed Connections per Year	125	
	25	

<b>Maximum Additional Connections [4]</b>	483
---	-----

<b>Maximum Connection Assumptions [5]</b>		
Well Capacity per Connection	0.60	GPM/Connection

<b>Cost of Debt [6]</b>	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] 620 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] Tuscany Estates Concept Plan, Dated June 17, 2021

[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**

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	27	7	2,771	\$	19.77
2028	2,771	2	7	2,780	\$	19.70
2029	2,780	2	7	2,789	\$	19.64
2030	2,789	2	7	2,798	\$	19.63

**Footnotes:**

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

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

<b>Pressure Plane #2 [1]</b>	
Wells - Pressure Plane #2 [1]	663 GPM
<b>Total Possible Connections [2]</b>	
Wells - Pressure Plane #2 [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
<b>Additional Connections Possible to Serve Area of Interest [4]</b>	<b>483</b>

**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	759	761	763
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	25	-	-	-
Nearby System Service Area - EOY Potential Connections	624	651	678	705	732	759	761	763	765
<b>Nearby System Service Area - Maximum Connections</b>	<b>1,105</b>	<b>1,105</b>	<b>1,105</b>	<b>1,105</b>	<b>1,105</b>	<b>1,105</b>	<b>1,105</b>	<b>1,105</b>	<b>1,105</b>

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	125	125	125	125
Total Payment Allocable to Decertified Area Connections	\$ -	\$ 2,171	\$ 4,309	\$ 6,358	\$ 8,371	\$ 2,471	\$ 2,463	\$ 2,455	\$ 2,454
Total Payment from Decertified Area	\$ -	\$ 2,171	\$ 4,309	\$ 6,358	\$ 8,371	\$ 2,471	\$ 2,463	\$ 2,455	\$ 2,454

Total payment	\$ 31,052
2022 NPV of Total Payment Amount	\$ 28,072

**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



## EXHIBIT 1: COPIES OF LEGAL INVOICES

DOCKET #53450

**DECERTIFICATION  
COMPENSATION**



4301 Westbank Drive, Suite B-130  
Austin, Texas 78746  
Phone: 512-614-0901

# INVOICE

Invoice # 7812  
Date: 07/08/2022

Mustang Special Utility District  
7985 FM 2931  
Aubrey, Texas 76227

## 0105 - Mustang-Marilee VPTM Cross Creek PUC Docket 53450

Date	Attorney	Description	Quantity	Total
06/09/2022	GEM	Review pleading.	0.10	\$25.00
06/10/2022	YAL	Receive and review Staff's response to Marilee's Motion to Intervene and update the file.	0.10	\$15.50
06/13/2022	YAL	Receive and review Order No. 3, add deadlines to the calendar, and update the file.	0.20	\$31.00
06/15/2022	GEM	Work regarding verified response.	0.50	\$125.00
06/16/2022	YAL	Receive and review the map exhibit for the Verified Response and update the file.	0.10	\$15.50
06/16/2022	GEM	Work regarding verified response and supporting affidavits.	0.60	\$150.00
06/17/2022	GEM	Work regarding verified response.	0.30	\$75.00
06/20/2022	YAL	Receive and review the Verified Response and finalize the same; efile the Verified Response; email courtesy copy of the Verified Response to attorneys of record; obtain file marked copy of Marilee's Verified Response and update the file.	0.50	\$77.50
06/20/2022	GEM	Draft and revise verified response, affidavits, and supporting exhibits.	2.30	\$575.00
06/21/2022	YAL	Receive and review VPTM Cross Creek LB, LLC's Reply to Marilee Special Utility District's Verified Response and update the file.	0.10	\$15.50
06/21/2022	GEM	Review Petitioner reply.	0.20	\$50.00

Time Keeper	Quantity	Rate	Total
Grayson McDaniel	4.0	\$250.00	\$1,000.00

Yolanda Lara	1.0	\$155.00	\$155.00
		<b>Subtotal</b>	<b>\$1,155.00</b>
		<b>Total</b>	<b>\$1,155.00</b>
		<b>Payment (08/30/2022)</b>	<b>-\$1,155.00</b>
		<b>Balance Owing</b>	<b>\$0.00</b>

### Statement of Account

Outstanding Balance	New Charges	Payments Received	<b>Total Amount Outstanding</b>
( \$0.00	+ \$1,155.00	) - ( \$1,155.00	) = <span style="border: 1px solid black; padding: 2px;">\$0.00</span>

### Detailed Statement of Account

#### Current Invoice

Invoice Number	Due On	Amount Due	Payments Received	Balance Due
7812	07/08/2022	\$1,155.00	\$1,155.00	\$0.00

Please make all amounts payable to: The Carlton Law Firm, P.L.L.C., and please note our address:

**The Carlton Law Firm, P.L.L.C.**  
**4301 Westbank Drive, Suite B-130**  
**Austin, Texas 78746**

**Payment is due upon receipt.** Please include invoice numbers as an additional reference so we may accurately identify and apply your payment. Thank you!



4301 Westbank Drive, Suite B-130  
Austin, Texas 78746  
Phone: 512-614-0901

# INVOICE

Invoice # 7974  
Date: 08/15/2022

Mustang Special Utility District  
7985 FM 2931  
Aubrey, Texas 76227

## 0105 - Mustang-Marilee VPTM Cross Creek PUC Docket 53450

Date	Attorney	Description	Quantity	Total
07/06/2022	KMD	Begin drafting Motion for Rehearing.	1.60	\$132.00
07/11/2022	YAL	Receive and review Staff's Recommendation on Final Disposition and update the file.	0.10	\$15.50
07/22/2022	YAL	Receive and review Proposed Order, add deadline to the calendar, and update the file.	0.20	\$31.00
07/28/2022	JJC	Work regarding corrections and exceptions.	0.30	\$99.00
07/29/2022	YAL	Draft Exceptions and Corrections.	0.30	\$46.50
07/30/2022	YAL	Continue drafting Corrections and Exceptions.	0.60	\$93.00
07/30/2022	JJC	Begin drafting Corrections and Exceptions.	0.30	\$99.00
<b>Line Item Discount Subtotal</b>				<b>-\$132.00</b>

Time Keeper	Quantity	Rate	Discount	Total
John Carlton	0.6	\$330.00	-	\$198.00
Kelsey Daugherty	1.6	\$165.00	-\$132.00	\$132.00
Yolanda Lara	1.2	\$155.00	-	\$186.00
<b>Subtotal</b>				<b>\$516.00</b>
<b>Total</b>				<b>\$516.00</b>
<b>Payment (08/30/2022)</b>				<b>-\$516.00</b>
<b>Balance Owing</b>				<b>\$0.00</b>



## Statement of Account

Outstanding Balance	New Charges	Payments Received	<b>Total Amount Outstanding</b>
( \$0.00	+ \$516.00	) - ( \$516.00	) = <b>\$0.00</b>

## Detailed Statement of Account

### Current Invoice

Invoice Number	Due On	Amount Due	Payments Received	Balance Due
7974	08/15/2022	\$516.00	\$516.00	\$0.00

Please make all amounts payable to: The Carlton Law Firm, P.L.L.C., and please note our address:

**The Carlton Law Firm, P.L.L.C.**  
**4301 Westbank Drive, Suite B-130**  
**Austin, Texas 78746**

**Payment is due upon receipt.** Please include invoice numbers as an additional reference so we may accurately identify and apply your payment. Thank you!



4301 Westbank Drive, Suite B-130  
Austin, Texas 78746  
Phone: 512-614-0901

# INVOICE

Invoice # 8109  
Date: 09/15/2022

Mustang Special Utility District  
7985 FM 2931  
Aubrey, Texas 76227

## 0105 - Mustang-Marilee VPTM Cross Creek PUC Docket 53450

Date	Attorney	Description	Quantity	Total
08/01/2022	JJC	Review, revise and finalize Exceptions and Corrections to Proposed Order.	0.50	\$165.00
08/02/2022	YAL	Revise and finalize the Corrections and Exceptions.	0.90	\$139.50
08/06/2022	YAL	Draft letter requesting extension of filing; efile request for late filing along with the Corrections and Exceptions with the PUC and send courtesy copies to the attorneys of record.	0.50	\$0.00
08/09/2022	YAL	Receive and review the memorandum regarding the proposed order and update the file.	0.10	\$15.50
<b>Line Item Discount Subtotal</b>				<b>-\$77.50</b>

Time Keeper	Quantity	Rate	Discount	Total
John Carlton	0.5	\$330.00	-	\$165.00
Yolanda Lara	1.5	\$155.00	-\$77.50	\$155.00
<b>Subtotal</b>				<b>\$320.00</b>
<b>Total</b>				<b>\$320.00</b>
<b>Payment (10/03/2022)</b>				<b>-\$320.00</b>
<b>Balance Owing</b>				<b>\$0.00</b>

## Statement of Account

Outstanding Balance	New Charges	Payments Received	<b>Total Amount Outstanding</b>
( \$0.00	+ \$320.00	) - ( \$320.00	) = <b>\$0.00</b>

## Detailed Statement of Account

### Current Invoice

Invoice Number	Due On	Amount Due	Payments Received	Balance Due
8109	09/15/2022	\$320.00	\$320.00	\$0.00

Please make all amounts payable to: The Carlton Law Firm, P.L.L.C., and please note our address:

**The Carlton Law Firm, P.L.L.C.**  
**4301 Westbank Drive, Suite B-130**  
**Austin, Texas 78746**

**Payment is due upon receipt.** Please include invoice numbers as an additional reference so we may accurately identify and apply your payment. Thank you!



4301 Westbank Drive, Suite B-130  
Austin, Texas 78746  
Phone: 512-614-0901

# INVOICE

Invoice # 8324  
Date: 11/09/2022

Mustang Special Utility District  
7985 FM 2931  
Aubrey, Texas 76227

## 0105 - Mustang-Marilee VPTM Cross Creek PUC Docket 53450

### Services

Date	Attorney	Description	Quantity	Total
10/17/2022	LTT	Update the weekly status report.	0.20	\$35.00
10/20/2022	LTT	Receive Final Order and Docket Management of signed Order from Public Utility Commission's filing interchange regarding decertification of property; calendar deadlines.	0.40	\$70.00
10/24/2022	LTT	Update weekly status report.	0.10	\$17.50
10/28/2022	LTT	Update weekly status report to include Petitioner's Notice to the Public Utility Commission regarding the Parties were unable to select an agreed-upon appraiser.	0.20	\$35.00
<b>Services Subtotal</b>				<b>\$157.50</b>

### Expenses

Type	Date	Description	Quantity	Rate	Total
Expense	10/13/2022	UPS 2d Day Air - mailing compensation check	1.00	\$37.65	\$37.65
<b>Expenses Subtotal</b>					<b>\$37.65</b>

Time Keeper	Quantity	Rate	Total
Leticia Torres	0.9	\$175.00	\$157.50
<b>Subtotal</b>			<b>\$195.15</b>
<b>Total</b>			<b>\$195.15</b>

Payment (11/28/2022)           -\$195.15  
Balance Owing                    \$0.00

### Statement of Account

Outstanding Balance      New Charges      Payments Received      **Total Amount Outstanding**  
(        \$0.00            +    \$195.15    ) - (        \$195.15    ) = 

<b>\$0.00</b>
---------------

### Detailed Statement of Account

#### Current Invoice

Invoice Number	Due On	Amount Due	Payments Received	Balance Due
8324	11/09/2022	\$195.15	\$195.15	\$0.00

Please make all amounts payable to: The Carlton Law Firm, P.L.L.C., and please note our address:

**The Carlton Law Firm, P.L.L.C.**  
**4301 Westbank Drive, Suite B-130**  
**Austin, Texas 78746**

**Payment is due upon receipt.** Please include invoice numbers as an additional reference so we may accurately identify and apply your payment. Thank you!

**INVOICE**

Invoice # 8433  
Date: 12/07/2022

4301 Westbank Drive, Suite B-130  
Austin, Texas 78746  
Phone: 512-614-0901

Mustang Special Utility District  
7985 FM 2931  
Aubrey, Texas 76227

**0105 - Mustang-Marilee VPTM Cross Creek PUC Docket 53450****Services**

Date	Attorney	Description	Quantity	Total
11/03/2022	JJC	Draft correspondence to C. Boyd regarding need for appraisal.	0.10	\$33.00
11/07/2022	LTT	Update weekly status report adding Evidence of Recording deadline.	0.10	\$16.50
11/08/2022	LTT	Draft Evidence of Recording; Draft PUC Boundary Description Affidavit.	0.60	\$99.00
<b>Services Subtotal</b>				<b>\$148.50</b>

**Expenses**

Type	Date	Description	Quantity	Rate	Total
Expense	11/11/2022	Collin County Clerk - Boundary Description filing fee	1.00	\$50.00	\$50.00
<b>Expenses Subtotal</b>					<b>\$50.00</b>

Time Keeper	Quantity	Rate	Total
John Carlton	0.1	\$330.00	\$33.00
Leticia Torres	0.7	\$165.00	\$115.50
<b>Subtotal</b>			<b>\$198.50</b>
<b>Total</b>			<b>\$198.50</b>
<b>Payment (12/22/2022)</b>			<b>-\$198.50</b>

**Balance Owing**                      **\$0.00**

## Statement of Account

Outstanding Balance	New Charges	Payments Received	<b>Total Amount Outstanding</b>	
(            \$0.00	+        \$198.50	) - (        \$198.50	) = <table border="1"><tr><td><b>\$0.00</b></td></tr></table>	<b>\$0.00</b>
<b>\$0.00</b>				

## Detailed Statement of Account

### Current Invoice

Invoice Number	Due On	Amount Due	Payments Received	Balance Due
8433	12/07/2022	\$198.50	\$198.50	\$0.00

Please make all amounts payable to: The Carlton Law Firm, P.L.L.C., and please note our address:

**The Carlton Law Firm, P.L.L.C.**  
**4301 Westbank Drive, Suite B-130**  
**Austin, Texas 78746**

**Payment is due upon receipt.** Please include invoice numbers as an additional reference so we may accurately identify and apply your payment. Thank you!

NewGen  
Strategies & Solutions



**THANK YOU!**



49 Music Square West, Suite 505, Nashville, TN 37203  
Phone: 1-615-645-4846  
E-mail: [zwright@newgenstrategies.net](mailto:zwright@newgenstrategies.net)  
[www.newgenstrategies.net](http://www.newgenstrategies.net)