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Item Number - 111

**SOAH DOCKET NO. 473-24-09299.WS
PUC DOCKET NO. 54966**

PETITION OF ARIZA GOSLING	§	BEFORE THE STATE OFFICE
OWNER LLC APPEALING THE	§	
WATER RATES ESTABLISHED BY	§	OF
NORTHAMPTON MUNICIPAL	§	
UTILITY DISTRICT	§	ADMINISTRATIVE HEARINGS

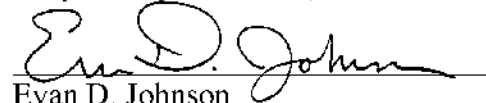
**NORTHAMPTON MUNICIPAL UTILITY DISTRICT'S
SUPPLEMENTAL RESPONSES TO ARIZA GOSLING OWNER LLC'S
SECOND REQUEST FOR INFORMATION**

Northampton Municipal Utility District ("the District") files these Supplemental Responses to the aforementioned requests for information.

I. WRITTEN RESPONSES

Attached hereto and incorporated herein by reference are the District's supplemental written responses to the aforementioned requests for information. The supplemental responses are set forth on or attached to a separate page upon which the request has been restated. The supplemental responses are also made without waiver of the District's right to contest the admissibility of any such matters upon hearing. The District stipulates that its supplemental responses may be treated by all parties exactly as if they were filed under oath.

Respectfully submitted,

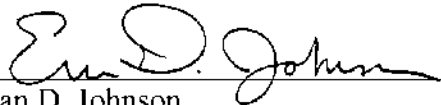


Evan D. Johnson
State Bar No. 24065498
C. Glenn Adkins
State Bar No. 24103097
Coffin Renner LLP
1011 W. 31st Street
Austin, Texas 78705
(512) 879-0900
(512) 879-0912 (fax)
evan.johnson@crtxlaw.com
glenn.adkins@crtxlaw.com

**ATTORNEYS FOR NORTHAMPTON
MUNICIPAL UTILITY DISTRICT**

CERTIFICATE OF SERVICE

I hereby certify that on June 21, 2024, notice of the filing of this document was provided to all parties of record via electronic mail in accordance with the Second Order Suspending Rules, filed in Project No. 50664.



Evan D. Johnson

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NORTHAMPTON MUNICIPAL UTILITY DISTRICT'S SUPPLEMENTAL
RESPONSES TO ARIZA GOSLING OWNER LLC'S
SECOND REQUEST FOR INFORMATION

AG RFI 2-1

Please admit or deny that Northampton completed a cost of service study before voting to adopt the water and sewer rate increases that are the subject of this appeal. If admit, please produce a copy, in native format with all formulae intact, of the cost of service study or identify a previous request for information (RFI) response that contains the study responsive to this request.

FIRST SUPPLEMENTAL RESPONSE:

Admit. As explained in the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024, the District performs an annual analysis of its budgeted cost and revenues through which utility and tax rates are reviewed and, as needed, adjusted, each year. The District adopted its 2023 budget in December 2022. That budget is Exhibit JRW-3 to Mr. Wallace testimony. In January 2023, based on risks it identified to its financial position from having large customers become tax exempt and stop contributing tax revenues the District relies on to pay for utility costs, the District calculated the new tax-exempt rates that are the subject of this appeal to cover the potential shortfall that would occur should a multi-family customer elect to become tax-exempt. See pages 19 to 43 and Exhibit JRW-3 in the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024. A native version of Exhibit JRW-3 is attached as AG RFI 2-1 Attachment.

RESPONSE (Originally filed on March 18, 2024):

Admit.

The cost of service analysis used to set the rate for the Tax-Exempt Multifamily Residential customer rate that was approved on February 6, 2023 was calculated as described in the District's Response to Ariza Gosling First Amended Petition, filed on July 7, 2023, and the District's Response to Ariza Gosling Second Amended Petition, filed on September 13, 2023. See the District's Response to Ariza Gosling First Amended Petition, filed on July 7, 2023, and the District's Response to Ariza Gosling Second Amended Petition, filed on September 13, 2023. See also the response to AG RFI 2-19. See AG RFI 1-1 Attachment.

In addition, the District's budgets and annual reports provide additional information on the cost to provide water and wastewater service to customers that the District seeks to recover through rates or through ad valorem tax revenues each year. The water rates, sewer rates, and tax rates in effect at the time of the February 6, 2023 rate order were based on the 2023 annual budget and the 2023 tax rate study. See AG RFI 2-1 Attachment for a copy of the 2023 tax rate study.

This District's financial information, including budgets is publicly available at <https://www.northamptonmud.com/documents/>.

The 2023 tax rate study is attached as AG RFI 2-1 Attachment.

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SECOND REQUEST FOR INFORMATION

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

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AG RFI 2-8

Please provide Northampton's total water customer count by meter size and class of customer, if any (*e.g.* retail, wholesale, residential, etc.) at the time the water rates that are the subject of this appeal were adopted.

FIRST SUPPLEMENTAL RESPONSE:

See the District's Response to AG RFI 2-1.

RESPONSE (Originally filed on March 18, 2024):

See AG RFI 2-8 Attachment.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
 Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
 Utility District

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AG RFI 2-11

Please describe in detail the calculations used to determine the sewer rates that are the subject of this appeal. Provide the billed sewer volume and tiers, if applicable, used to determine each tiered gallonage rate.

FIRST SUPPLEMENTAL RESPONSE:

See the District's Response to AG RFI 2-1. The Petitioner's base multi-family sewer rates were not changed and, thus, are not "the subject of this appeal." Notwithstanding, sewer rates were calculated in the same way as water rates were calculated based on the District's budgeted cost and revenues. See pages 31-39 to the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024. See also the workpapers attached to the Direct Testimony of John R. Wallace. Financial information supporting the District's sewer rates are also publicly available on the District's website at <https://www.northamptonmud.com>.

RESPONSE (Originally filed on March 18, 2024):

Ariza Gosling did not identify any sewer rate as being "the subject of this appeal" as the sewer rate applicable to Ariza was not changed by the February 6, 2023 rate order.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
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SECOND REQUEST FOR INFORMATION**

AG RFI 2-12

Please provide the revenue requirement, in native format with all formulae intact, that was used to calculate the sewer rates that are the subject of this appeal.

FIRST SUPPLEMENTAL RESPONSE:

See the District's response to AG RFI 2-11.

RESPONSE (Originally filed on March 18, 2024):

Ariza Gosling did not identify any sewer rate as being "the subject of this appeal" as the sewer rate applicable to Ariza was not changed by the February 6, 2023 rate order.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
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AG RFI 2-13

Please identify the individual expenses that comprise the revenue requirement that was used to calculate the sewer rates that are the subject of this appeal.

FIRST SUPPLEMENTAL RESPONSE:

See the District's response to AG RFI 2-11.

RESPONSE (Originally filed on March 18, 2024):

Ariza Gosling did not identify any sewer rate as being "the subject of this appeal" as the sewer rate applicable to Ariza was not changed by the February 6, 2023 rate order.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
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AG RFI 2-14

Please provide all documentation, such as general ledgers, approved budgets, contracts for services, invoices, etc. supporting the expenses included in the revenue requirement used to calculate the sewer rates that are the subject of this appeal.

FIRST SUPPLEMENTAL RESPONSE:

See the District's response to AG RFI 2-11.

RESPONSE (Originally filed on March 18, 2024):

Ariza Gosling did not identify any sewer rate as being "the subject of this appeal" as the sewer rate applicable to Ariza was not changed by the February 6, 2023 rate order.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
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AG RFI 2-15

Please provide Northampton's total sewer customer count by meter size and class of customer, if any (e.g. retail, wholesale, residential, etc.) at the time the water rates that are the subject of this appeal were adopted.

FIRST SUPPLEMENTAL RESPONSE:

See the District's response to AG RFI 2-11.

RESPONSE (Originally filed on March 18, 2024):

See AG RFI 2-8 Attachment. With the exception of irrigation customers (referred to as the Esplanade class), each of the District's water customers are also sewer customers.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
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AG RFI 2-16

For any expenses that are not exclusively incurred to provide either water or sewer service, please explain how Northampton allocated these expenses between the revenue requirement used to calculate the appealed water rates and the revenue requirement used to calculate the appealed sewer rates.

FIRST SUPPLEMENTAL RESPONSE:

See the District's response to AG RFI 2-11. The Company does not allocate expenses for purposes of setting rates because many of its expenses for water and sewer operations are billed to the District as a combined charge. Its rates are set based on budgeted costs and revenues as reflected in Exhibit JRW-3.

RESPONSE (Originally filed on March 18, 2024):

The expenses included in the District's revenue requirement are itemized in the annual budgets. See the District's response to AG RFI 2-1.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

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AG RFI 2-17

Please provide a copy of the budget that was in effect at the time Northampton adopted the rates that are the subject of this appeal.

FIRST SUPPLEMENTAL RESPONSE:

Please see Exhibit JRW-3 to the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024.

RESPONSE (Originally filed on March 18, 2024):

The 2023 annual budget was in effect on February 6, 2023. See the District's response to AG RFI 2-1.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

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AG RFI 2-18

Please provide a copy of historical budget information for the three years prior to the year in which the rate increases that are the subject of this appeal took effect.

FIRST SUPPLEMENTAL RESPONSE:

Please see Pages 65-66 to Exhibit JRW-2 to the Direct Testimony of John R. Wallace, filed in this proceeding on June 7, 2024.

RESPONSE (Originally filed on March 18, 2024):

The District's historical budget information is publicly available. See the District's response to AG RFI 2-1.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

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AG RFI 2-19

Please provide any and all information not provided in response to the preceding requests for information that was available to Northampton at the time that it made the decision to change its water and sewer rates and that was used to make the decision to change the rates that are the subject of this appeal.

FIRST SUPPLEMENTAL RESPONSE:

Please see generally the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024. See also the information that is publicly available on the District's website at <https://www.northamptonmud.com>.

RESPONSE (Originally filed on March 18, 2024):

The District's water, sewer, and tax rates are set based on its publicly available and audited financial information. See the response to AG RFI 2-1.

In addition, the District was aware that Local Government Code § 303.042 provides a blanket property tax exemption to apartment developers that enter into a financial transaction with a public facility corporation ("PFC") set up by a local government entity—such as a public housing authority, county, or city—which then leases the land and any buildings on the land back to a limited partnership operated and controlled by the developer, which in turn agrees to provide some amount of rent-controlled "affordable housing" for an agreed-upon number of apartment units. Once a county appraisal district grants the tax exemption, the entity stops contributing property taxes to the MUD even though the MUD relies on these tax revenues to fund its operations and sets its rates based on the tax revenues it receives. It was also aware that tax exemptions secured by a PFC transaction, without notice or input from the affected taxing jurisdictions, could upset the traditional ratemaking and ad valorem tax structures of municipal utility districts.

The District was also aware that, in order to collect the revenues necessary to operate the utility after a customer becomes tax-exempt and stops contributing tax revenues, the District must modify the rates these customers pay in order to recover the actual cost to serve them, taking into account the changes in tax revenues it receives from these customers, pursuant to Texas Water Code ("TWC") § 49.2122. In January 2023, in anticipation that an increasing number of property owners within its service area would seek and be granted tax exemptions under this section of the Local Government Code, the District conducted a rate study to determine the actual cost to serve tax-exempt multi-family customers, taking into account the tax revenues received from those customers and the rates necessary to recover the cost to provide service, consistent with TWC § 49.2122. The decision to implement a new tax-exempt multi-family rate class was aimed at *all* multi-family customers of the District who may be eligible to become tax exempt through a PFC or similar transaction. The District initiated its rate study several weeks before the District discovered the Property had obtained a full tax exemption through the PFC transaction.

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Regarding the Tax-Exempt Multi-Family rate, the District sought to establish a tax-exempt rate class for four apartment complexes in the District that were at risk for becoming fully tax exempt without notice and without recourse. The possibility of this was palpable at the time, and the result would have caused substantial financial harm to the District. The four complexes represented approximately 23% of the District's tax roll. The District calculated an average rate for both "district" and "defined area" properties, converted the anticipated lost revenues into rates, and added those amounts to the existing commercial multi-family rates. In this manner, the District intended to recoup approximately the same amount of annual revenue regardless of whether one or more apartment complexes became tax exempt. This would recover the costs of providing utility service for a) operation, b) long term maintenance, and c) historic capital costs of the utility system. This was the only equitable solution to recover the District's costs without shifting these costs to other customers of the District.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

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SECOND REQUEST FOR INFORMATION**

AG RFI 2-20

Please provide a copy of the Board order or other document approving the water and sewer rates that are the subject of this appeal.

FIRST SUPPLEMENTAL RESPONSE:

Please see Exhibit JRW-13 to the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024.

RESPONSE (Originally filed on March 18, 2024):

See the District's response to AG RFI 2-1 and Exhibit C to the District's answers to Ariza Gosling first and second amended petitions. See also the rate order attached to Ariza's Second Amended Petition at Exhibit A.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

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AG RFI 2-22

Please identify the amount of legal expenses included in the water and sewer revenue requirements used to calculate the rates that are the subject of this appeal that are one-time expenses and explain why it is appropriate to recover these expenses annually through rates.

FIRST SUPPLEMENTAL RESPONSE:

The District's utility rates do not include any legal expenses that are "one-time expenses."

The District will seek to recover all legal expense associated with this proceeding through a surcharge as explained in the Direct Testimony of John R. Wallace's filed on June 7, 2024.

RESPONSE (Originally filed on March 18, 2024):

See the District's response to AG RFI 2-1. All expenses included in water and sewer rates are in the District's annual budgets, including reasonable and recurring legal expenses.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

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AG RFI 2-23

Please provide all detailed invoices supporting any rate case expenses for which Northampton intends to request recovery due to this appeal. Invoices should include the name of the person providing the service, hourly billing rates, specific description of services performed during the time billed, and hours billed on each invoice.

FIRST SUPPLEMENTAL RESPONSE:

Please see Exhibits JRW-15 and JRW-16 to the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024.

RESPONSE (Originally filed on March 18, 2024):

See AG RFI 2-23 Attachment.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

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AG RFI 2-24

Please provide a copy of all engagement letters or contracts for services between Northampton and any professionals and attorneys for which rate-case expense recovery is requested.

FIRST SUPPLEMENTAL RESPONSE:

See Supplemental AG RFI 2-24 Attachment.

RESPONSE (Originally filed on March 18, 2024):

See AG RFI 2-24 Attachment.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

ATTORNEYS AT LAW
1301 FANNIN, SUITE 2490
HOUSTON, TEXAS 77002-7012

713-739-1060

Fax: 713-739-0401

Paul D. Bacon

John R. Wallace

December 7, 2000

Board of Directors
Northampton Municipal Utility District
Harris County, Texas

Dear Board Members:

This letter, when accepted by you, will evidence your approval of this firm as legal counsel for Northampton Municipal Utility District ("the District") to be effective as of January 1, 2001. In addition, your acceptance of this letter will evidence our agreement to perform certain legal services as herein described for and on behalf of the District.

We agree to attend all Board of Directors meetings and to prepare all agendas and minutes therefor. We will assist the Board in the preparation of orders, resolutions and minutes for adoption by the Board and will maintain certain files and records for the District. We will also represent the District in contract preparation and negotiation, handle applications for permits and other administrative matters, represent the District in litigation not involving the adverse interests of other clients, and provide other general legal services which the District may require from time to time.

For the services as general counsel, our fees will be determined by the time used in providing the service, the level of experience and ability of the attorney performing the service, and the difficulty and complexity of the task involved. The District will be billed for such work on an hourly basis at rates approved from time to time by the Board of Directors. The fees will be billed as the work is performed or at such regular intervals as the Board may direct. In addition, the District will reimburse us for actual out-of-pocket expenses, such as travel, facsimile, and similar expenses, and all items paid for by us on behalf of the District. All of these expenses will be reasonable and subject to approval of the Board. An expenditure in excess of \$300.00 may be referred to you for direct payment.

In addition to the services described above, we will perform services as bond counsel in connection with the authorization, issuance, and sale of the bonds (the "Bonds") which may be issued by the District to acquire and construct a water, sewer, and drainage system to serve

Board of Directors
December 7, 2000
Page 2

developing areas within the District. Our services as counsel will include the preparation and review of legal notices, resolutions, and orders for adoption by the Board, instruments required to obtain necessary approvals of the Texas Natural Resource Conservation Commission (the "TNRCC") and the Attorney General of Texas, and all other legal documents relating to the authorization and issuance of the Bonds and registration thereof with the Comptroller of Public Accounts. In addition, we will review a transcript of certified proceedings pertaining to the Bonds, which we will help to prepare, and will render our opinion that the Bonds are valid and binding obligations of the District, and that the interest on the Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings, and court decisions.

It is our understanding that the District has employed a recognized investment banking firm to serve as financial advisor to the District and that said firm will be responsible for advising the District concerning the sale of the Bonds and will assist the District in the preparation of an Official Notice of Sale and an Official Statement (the "Offering Documents") in connection with each issue of the Bonds.

In our capacity as bond counsel, we will review those portions of the Offering Documents which describe the District's legal authority for issuance of the Bonds to determine whether such description conforms to and fairly summarizes relevant provisions of Texas law, the Order of the TNRCC approving the Bonds, and the requirements of the City of Houston, Texas, with regard to the sale of the Bonds. We will also review those portions of the Offering Documents describing the order of the Board authorizing the Bonds to determine whether such description fairly summarizes the provisions of said order. In addition, if requested, we will review such other portions of the Offering Documents and describe matters of law and legal relationships of the District about which we have knowledge. We will not, however, undertake to verify independently any of the factual information contained in the Offering Documents, nor will we conduct any investigation of the affairs of the District for the purpose of passing on the accuracy or completeness of the Offering Documents. Since our role in connection with the Offering Documents will be of an advisory rather than an investigatory nature, said documents will contain a statement describing our services as outlined above and stating that our limited participation may not be relied upon as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained therein.

We will not be responsible for advising the District concerning the provisions of the various securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934, and the securities laws of the various states in which the Bonds may be sold.

For our legal services in connection with the authorization, issuance, and sale of the Bonds, the District will pay us an amount from the proceeds of sale of each issue or installment of the

Board of Directors
December 7, 2000
Page 3

Bonds that is reasonable and appropriate as agreed upon by the District and this firm, based upon the time and work involved in performing the tasks of bond counsel, the bond rating and insurance of the issue of Bonds, and other factors which the parties agree bear on the appropriateness of the bond counsel fee; provided, however, that such fee shall in no event exceed 2% of principal amount of the Bonds above \$500,000 in principal amount. In addition, the District shall also pay a market opinion fee equal to ½% of the par value of the Bonds. The fees as determined above shall be applicable to each separate issue or installment of the Bonds. Securities counsel, if necessary, shall be hired and paid for directly by the District at a cost not to exceed \$5,000.00. The District agrees to bear all expenses incurred in the sale and delivery of the Bonds, including photocopy, telecopy, publicated costs, and filing fees for the bond application and transcript review. All of the above-described fees will be payable from the proceeds of the sale of the bonds.

Should the District determine that it is necessary to issue refunding bonds or bond anticipation notes or to obtain other forms of short-term financing, we will render all legal services necessary in connection therewith. For work performed in connection with the issuance of bond anticipation notes, we will charge 1% of the amount of such notes for our approving legal opinion, in addition to the hourly fees for the work performed. For work performed in connection with the issuance of refunding bonds, we will charge 1% of the amount of such bonds for our approving legal opinion; provided, however, that such fee shall be not less than \$20,000.00, unless otherwise agreed.

If the District should be annexed by the City of Houston, we shall be paid in full for all work performed prior to the date of such annexation, including bond work to date, and also for all work performed from the date of annexation to the actual taking over of the District by the annexing authority. At any time prior to annexation or prior to the actual taking over of the District by the City, the District's board of directors shall determine the amount due to the firm by ascertaining (calculating or estimating) the total fee to which the firm would have been entitled had services under this contract been completed and by ascertaining (calculating or estimating) the percentage of work which has actually been performed under this contract, and by applying such percentage to the total fee.


This agreement may be terminated by either the District or by us at any time upon 14 days' written notice.

Board of Directors
December 7, 2000
Page 4


Thank you for the opportunity to represent the District. If the terms and conditions set forth above are satisfactory, please indicate your acceptance of this agreement by signature below.

Respectfully submitted,


BACON & WALLACE, L.L.P.

By: 
John R. Wallace

Approved and accepted by the Board of Directors on the 7 day of December, 2000.


President, Board of Directors
Northampton Municipal Utility District

ATTEST:


Secretary, Board of Directors
Northampton Municipal Utility District

BACON, WALLACE & PHILBIN, L.L.P.
ATTORNEYS AT LAW

John R. Wallace
Michael P. Bacon
Dax W. Philbin

Paul D. Bacon
1946-2018

Landon T. Gerlich

February 15, 2021

Board of Directors
Northampton Municipal Utility District
Harris County, Texas

Dear Board Members:

This letter, when accepted by you, will evidence your approval of this firm as legal counsel for Northampton Municipal Utility District (the "District") to be effective as of February 1, 2021. In addition, your acceptance of this letter will evidence our agreement to perform certain legal services as herein described for and on behalf of the District.

We agree to attend all Board of Directors meetings and to prepare all agendas and minutes therefor. We will assist the Board in the preparation of orders, resolutions and minutes for adoption by the Board and will maintain certain files and records for the District. We will also represent the District in contract preparation and negotiation, handle applications for permits and other administrative matters, represent the District in disputes not involving the adverse interests of other clients, and provide other general legal services which the District may require from time to time.

For the services as general counsel, our fees will be determined by the time used in providing the service, the level of experience and ability of the attorney performing the service, and the difficulty and complexity of the task involved. The District will be billed for such work on an hourly basis at rates established by the firm from time to time and subject to the approval of the Board of Directors. A current schedule of fees is attached hereto. The fees will be billed as the work is performed or at such regular intervals as the Board may direct. In addition, the District will reimburse us for actual out-of-pocket expenses such as filing fees, file storage similar expenses, and all items paid for by us on behalf of the District. All of these expenses will be reasonable and subject to approval of the Board. Any expenditure in excess of \$300.00 may be referred to you for direct payment.

In addition to the services described above, we will perform services as bond counsel in connection with the authorization, issuance, and sale of the bonds (the "Bonds") which may be issued by the District to acquire and construct a water, sewer, and drainage system, park and road improvements (if applicable) to serve developing areas within the District, or any other purpose for which the District was created and may legally issue bonds. Our services as counsel will include the preparation and review of legal notices, resolutions, and orders for adoption by the Board, instruments required to obtain necessary approvals of the Texas Commission on Environmental Quality (the "TCEQ") and the Attorney General of Texas, and all other legal documents relating to the authorization and issuance of the Bonds and registration thereof with the Comptroller of Public Accounts. In addition, we will review a transcript of certified proceedings pertaining to the Bonds,

Board of Directors
February 15, 2021
Page 2

which we will help to prepare, and will render our opinion that the Bonds are valid and binding obligations of the District, and that the interest on the Bonds is exempt from federal income taxation under existing statutes, regulations, published rulings, and court decisions.

It is our understanding that the District has employed a recognized investment banking firm to serve as financial advisor to the District and that said firm will be responsible for advising the District concerning the sale of the Bonds and will assist the District in the preparation of an Official Notice of Sale and an Official Statement (the "Offering Documents") in connection with each issue of the Bonds.

In our capacity as bond counsel, we will review those portions of the Offering Documents which describe the District's legal authority for issuance of the Bonds to determine whether such description conforms to and fairly summarizes relevant provisions of Texas law, the Order of the TCEQ approving the Bonds, the requirements of the City of Houston, Texas, with regard to the sale of the Bonds. We will also review those portions of the Offering Documents describing the order of the Board authorizing the Bonds to determine whether such description fairly summarizes the provisions of said order. In addition, if requested, we will review such other portions of the Offering Documents and describe matters of law and legal relationships of the District about which we have knowledge. We will not, however, undertake to verify independently any of the factual information contained in the Offering Documents, nor will we conduct any investigation of the affairs of the District for the purpose of passing on the accuracy or completeness of the Offering Documents. Since our role in connection with the Offering Documents will be of an advisory rather than an investigatory nature, said documents will contain a statement describing our services as outlined above and stating that our limited participation may not be relied upon as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained therein.

We will not be responsible for advising the District concerning the provisions of the various securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934, and the securities laws of the various states in which the Bonds may be sold.

For our legal services in connection with the authorization, issuance, and sale of the Bonds, the District will pay us an amount from the proceeds of sale of each issue or installment of the Bonds that is reasonable and appropriate as agreed upon by the District and this firm, based upon the time and work involved in performing the tasks of bond counsel, the bond rating and insurance of the issue of Bonds, and other factors which the parties agree bear on the appropriateness of the bond counsel fee; provided, however, that such fee shall in no event exceed 2% of principal amount of the Bonds. In addition, the District shall also pay a market opinion fee equal to ½% of the entire par value of the Bonds. The fees as determined above shall be applicable to each separate issue or installment of the Bonds. Securities counsel, if necessary, shall be hired and paid for directly by the District. The District agrees to bear all expenses incurred in the sale and delivery of the Bonds, including photocopy, telecopy, publication costs, and filing fees for the bond application and transcript review. All of the above-described fees will be payable from the proceeds of the sale of the bonds.

Board of Directors
February 15, 2021
Page 3

Should the District determine that it is necessary to issue refunding bonds or bond anticipation notes or to obtain other forms of short-term financing, we will render all legal services necessary in connection therewith. For work performed in connection with the issuance of bond anticipation notes, we will charge 1% of the amount of such notes for our approving legal opinion, in addition to the hourly fees for the work performed. For work performed in connection with the issuance of refunding bonds, we will charge 1% of the par amount of such bonds for our approving legal opinion; provided, however, that such fee shall be not less than \$20,000.00, unless otherwise agreed.

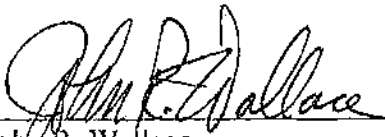
If the District should be annexed, we shall be paid in full for all work performed prior to the date of such annexation, including bond work to date, and also for all work performed from the date of annexation to the actual taking over of the District by the annexing authority. At any time prior to annexation or prior to the actual taking over of the District, the District's board of directors shall determine the amount due to the firm by ascertaining (calculating or estimating) the total fee to which the firm would have been entitled had services under this contract been completed and by ascertaining (calculating or estimating) the percentage of work which has actually been performed under this contract, and by applying such percentage to the total fee.

This agreement may be terminated by either the District or by us at any time upon 14 days' written notice.


Thank you for the opportunity to represent the District. If the terms and conditions set forth above are satisfactory, please indicate your acceptance of this agreement by signature below.

Respectfully submitted,

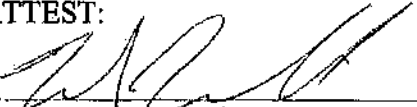
BACON, WALLACE & PHILBIN, L.L.P.

By: 
John R. Wallace

Approved and accepted by the Board of Directors on the 15th day of February, 2021.



President, Board of Directors
Northampton Municipal Utility District

ATTEST:


Secretary, Board of Directors
Northampton Municipal Utility District

Board of Directors
February 15, 2021
Page 4

Schedule A

Current Rates
(Effective January 1, 2019)

Senior Partner	\$340.00/hr.
Junior Partner	\$275.00/hr.
Associate Attorney	\$180.00/hr.
Senior Legal Asst.	\$170.00/hr.
Junior Legal Asst.	\$160.00/hr.

BACON, WALLACE & PHILBIN, L.L.P.
ATTORNEYS AT LAW

John R. Wallace
Michael P. Bacon
Dax W. Philbin

Landon T. Gerlich

Paul D. Bacon
1946-2018
Paul A. Philbin
Of Counsel

November 18, 2023

Board of Directors
Northampton Municipal Utility District
6012 Root Road
Spring, Texas 77389

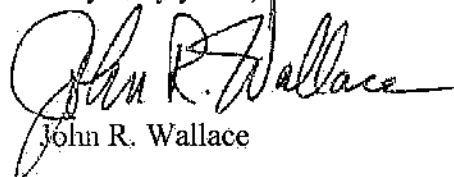
Re: Legal Fee Agreement Request

Dear Board Members:

Our firm's operating costs have increased a great deal over the past year, due primarily to increases in employee salaries, health care, office rent, and insurance. In order to keep pace with these expenses, we propose an increase in the hourly rate for senior partner from \$375 to \$395 and junior partner's hourly rate from \$310 to \$330. We propose to create separate categories for junior and senior associate and set these rates at \$220 and \$245, respectively. Senior legal assistant's hourly rate and junior legal assistant's hourly rate remains the same at \$185 and \$175, respectively. Schedule "A" reflects these proposed rates. The fee agreement states that the hourly fees may be changed from time to time upon the approval of the Board of Directors. Therefore, the agreement would not need to be amended, only Board approval is required. The revised rates would be effective as of January 1, 2024.

I greatly appreciate our relationship and hope that you understand the circumstances behind the request.

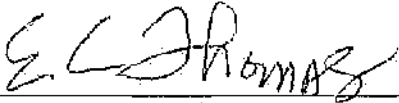
Very truly yours,



John R. Wallace

Approved:

BOARD OF DIRECTORS
NORTHAMPTON MUNICIPAL UTILITY DISTRICT

A handwritten signature in cursive script, appearing to read "E. L. Romay", is written over a horizontal line.

President, Board of Directors

Schedule A

Current Rates
(Effective January 1, 2024)

Senior Partner	\$395.00/hr.
Junior Partner	\$330.00/hr.
Senior Associate	\$245.00/hr.
Junior Associate	\$220.00/hr.
Senior Legal Asst.	\$185.00/hr.
Junior Legal Asst.	\$175.00/hr.
Staff/Clerical	\$ 50.00/hr.

SOAH DOCKET NO. 473-24-09299.WS
PUC DOCKET NO. 54966
NORTHAMPTON MUNICIPAL UTILITY DISTRICT'S SUPPLEMENTAL
RESPONSES TO ARIZA GOSLING OWNER LLC'S
SECOND REQUEST FOR INFORMATION

AG RFI 2-25

Please provide an affidavit signed by each professional or attorney stating that the rate charged is the normal hourly billing rate charged by the professional or attorney, is comparable to the hourly rate charged by other professionals or attorneys for similar services provided to other Texas utilities and is the normal hourly billing rate charged by the professional or attorney for services to nonregulated entities.

FIRST SUPPLEMENTAL RESPONSE:

See Supplemental AG RFI 2-25 Attachment.

RESPONSE (Originally filed on March 18, 2024):

See the District's response to AG RFI 2-23.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

**SOAH DOCKET NO. 473-24-09299.WS
PUC DOCKET NO. 54966**

PETITION OF ARIZA GOSLING	§	BEFORE THE STATE OFFICE
OWNER LLC APPEALING THE	§	
WATER RATES ESTABLISHED BY	§	OF
NORTHAMPTON MUNICIPAL	§	
UTILITY DISTRICT	§	ADMINISTRATIVE HEARINGS

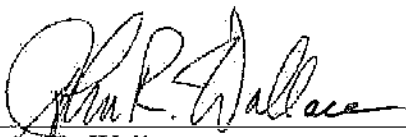
AFFIDAVIT OF JOHN R. WALLACE

Before me, the undersigned authority, on this date personally appeared John R. Wallace, known to me to be the person whose name is subscribed below, and being by me first duly sworn, stated upon oath as follows:

1. "My name is John R. Wallace. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based on my personal knowledge. I have been a licensed attorney in the State of Texas since 1984. I have personally served (through multiple law firms) as General Counsel and Bond Counsel for Northampton Municipal Utility District since approximately 1991.
1. "I am a partner in the Houston, Texas law firm of Bacon, Wallace & Philbin, L.L.P. My law practice encompasses a wide range of administrative areas, including the representation of municipal utility districts.
2. "My firm represents Northampton Municipal Utility District (the "District") in PUCT Docket No. 54966.
3. "I am familiar with the provisions of the Texas Water Code and 16 Texas Administrative Code ("TAC") Chapter 24 that govern recovery of legal expenses.
4. "The District has provided invoices supporting reasonable and necessary legal expenses incurred by the District through May 31, 2024, in defending against Ariza Gosling Owner LLC's petition for review of the District's tax-exempt multi-family water rate ("Petition for Review"). Copies of all legal expenses are included in the Direct Testimony of John R. Wallace, filed in this proceeding. As appropriate, the District will supplement that amount with the reimbursable legal expenses incurred by the District throughout all subsequent stages of this docket such as responding to discovery requests, attention to prehearing matters, attendance at the hearing and Commission meetings, and the drafting of pleadings throughout the proceeding.
5. "In Docket No. 54966, my services, and the services of my firm, were associated with time and labor that were reasonable and necessary for defending against Ariza Gosling Owner LLC's Petition for Review. The services performed in connection with this proceeding included the preparation of responsive filings and pleading, drafting and responding to discovery, and researching novel issues that have arisen in this proceeding.

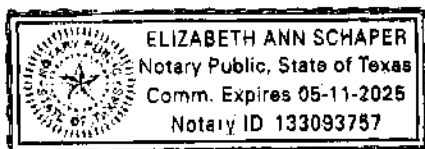
6. "I have reviewed the billings of Bacon, Wallace & Philbin, L.L.P. submitted to the District for legal services performed in this proceeding, and I affirm that those billings accurately reflect the time spent and expenditures incurred by Bacon, Wallace & Philbin, L.L.P. on the District's behalf. The calculation of the charges is correct, and there was no duplication of services and no double billing of charges.
7. "The charges and rates of my firm are reasonable and consistent with those billed by others for similar work, and the legal rates charged by Bacon, Wallace & Philbin, L.L.P. attorneys that worked on this matter are comparable to rates charged by other professionals with the same level of expertise and experience and commensurate with the complexity of the issues in the proceeding. Moreover, my firm relied on and employed associated attorneys, paralegals and legal assistants to perform necessary tasks whenever possible to mitigate costs.
8. "The legal expenses incurred by the District are proportionate to the complexity and scope of the rate case. Novel and complex issues in this case include the application of statutes and rules applicable to municipal utility districts in PUCT rate appeal proceedings and filing requirements, novel legal issues related to districts in appeals before the PUCT, the impacts on this proceeding of other pending litigation, the review of rates and rate designs applicable to all customers of the District. The amount of work, attention, and analysis needed to support the District in this proceeding justify the amount of legal expenses requested.
9. "The District has not proposed treatment of any issue that has no reasonable basis in law, policy, or fact, or that was not warranted by any reasonable argument for the extension, modification, or reversal of commission precedent.
10. "All legal expenses incurred for lodging, meals and beverages, transportation, or other services were reasonable and necessary. No employees of Bacon, Wallace & Philbin, L.L.P. charged for luxury items, entertainment, or alcoholic beverages."

Further affiant sayeth not.


John R. Wallace

SUBSCRIBED AND SWORN TO BEFORE ME by the said John R. Wallace on this 13th day of

June, 2024.




Notary Public, State of Texas

My commission expires: 5/11/25

**SOAH DOCKET NO. 473-24-09299.WS
PUC DOCKET NO. 54966
NORTHAMPTON MUNICIPAL UTILITY DISTRICT'S SUPPLEMENTAL
RESPONSES TO ARIZA GOSLING OWNER LLC'S
SECOND REQUEST FOR INFORMATION**

AG RFI 2-26

Please provide evidence and testimony or affidavits showing the reasonableness of the cost of all professional services included in rate-case expenses, including but not limited to:

- a. The nature, extent, and difficulty of the work done by the attorney or other professional in the rate case;**
- b. The time and labor required and expended by the attorney or other professional;**
- c. The fees or other consideration paid to the attorney or other professional for the services rendered;**
- d. The expenses incurred for lodging, meals and beverages, transportation, or other services or materials;**
- e. The nature and scope of the rate case, including:**
 - i. The size of the utility and number and type of consumers served;**
 - ii. The amount of money or value of property or interest at stake;**
 - iii. The novelty or complexity of the issues addressed;**
 - iv. The amount and complexity of discovery;**
 - v. The occurrence and length of a hearing; and**
- f. The specific issue or issues in the rate case and the amount of rate case expenses reasonably associated with each issue.**

FIRST SUPPLEMENTAL RESPONSE:

See Exhibits JRW-15 and JRW-16 to the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024. See the District's responses to AG RFIs 2-23 through 2-25.

RESPONSE (Originally filed on March 18, 2024):

See the District's response to AG RFI 2-23.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal Utility District

Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal Utility District

**SOAH DOCKET NO. 473-24-09299.WS
PUC DOCKET NO. 54966
NORTHAMPTON MUNICIPAL UTILITY DISTRICT'S SUPPLEMENTAL
RESPONSES TO ARIZA GOSLING OWNER LLC'S
SECOND REQUEST FOR INFORMATION**

AG RFI 2-27

Please provide the methodology and duration by which Northampton seeks recovery of rate-case expenses.

FIRST SUPPLEMENTAL RESPONSE:

See the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024.

RESPONSE (Originally filed on March 18, 2024):

At this time, the District seeks recovery of its rate-case expenses over a two-year period.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

SOAH DOCKET NO. 473-24-09299.WS
PUC DOCKET NO. 54966
NORTHAMPTON MUNICIPAL UTILITY DISTRICT'S SUPPLEMENTAL
RESPONSES TO ARIZA GOSLING OWNER LLC'S
SECOND REQUEST FOR INFORMATION

AG RFI 2-34

On page 15 of Northampton's 2022 Annual Financial Report, the General Fund expenditures for Parks and Recreation are \$1,310,305.

- a. What portion of these costs were recovered through ad valorem taxes?**
- b. How are Parks and Recreation costs excluded from the adopted water and sewer rates?**

FIRST SUPPLEMENTAL RESPONSE:

See the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024.

RESPONSE (Originally filed on March 18, 2024):

- a. No portion is recovered through ad valorem taxes.
- b. The District owns and operates recreational facilities, including parks, playgrounds, hiking trails, two pools with clubhouses, two meeting halls and a weight room. The facilities are open to all Northampton residents, which include residents of any apartment complex. Swimming and weight room privileges are available to all residents for an annual fee of \$200 per family and are restricted by access card. Other operational costs of recreational facilities are recovered through water and sewer rates.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

**SOAH DOCKET NO. 473-24-09299.WS
PUC DOCKET NO. 54966
NORTHAMPTON MUNICIPAL UTILITY DISTRICT'S SUPPLEMENTAL
RESPONSES TO ARIZA GOSLING OWNER LLC'S
SECOND REQUEST FOR INFORMATION**

AG RFI 2-38

Page 30 of Northampton's 2022 Annual Financial Report shows the original cost of capital assets for Meeting and Recreational Facilities of \$4,940,602 at 12/31/2022.

- a. Are any of the capital costs associated with these facilities recovered through water or sewer rates?**
- b. If so, please explain the basis for the allocation of these capital costs to the water and sewer systems.**
- c. Are any of the operating costs associated with these facilities recovered through water or sewer rates?**
- d. If so, please explain the basis for the allocation of these operating costs to the water and sewer systems.**

FIRST SUPPLEMENTAL RESPONSE:

See the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024.

RESPONSE (Originally filed on March 18, 2024):

- a. No. The capital costs are recovered through ad valorem taxes.**
- b. The system was constructed with general obligation tax exempt bonds. Full schedules are contained in the District's publicly available audit reports.**
- c. Yes.**
- d. As detailed in the annual operating budget, the operating costs of facilities are paid through a combination of water and sewer revenues, maintenance and operating taxes and other fees and charges.**

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal Utility District

Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal Utility District

**SOAH DOCKET NO. 473-24-09299.WS
PUC DOCKET NO. 54966
NORTHAMPTON MUNICIPAL UTILITY DISTRICT'S SUPPLEMENTAL
RESPONSES TO ARIZA GOSLING OWNER LLC'S
SECOND REQUEST FOR INFORMATION**

AG RFI 2-40

How was the debt service ad valorem tax rate determined at the time the appealed rates were adopted? Please provide the detailed calculation.

FIRST SUPPLEMENTAL RESPONSE:

See the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024.

RESPONSE (Originally filed on March 18, 2024):

See AG RFI 2-1 Attachment. The tax rate was calculated by the District's Financial Advisor, David Wood of R.W. Baird. The tax rate study presented for 2023 tax rate details the assumptions and presents a pro forma cash flow study showing the effect of the proposed tax rates over the remaining life of the outstanding bonds.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District
Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

**SOAH DOCKET NO. 473-24-09299.WS
PUC DOCKET NO. 54966
NORTHAMPTON MUNICIPAL UTILITY DISTRICT'S SUPPLEMENTAL
RESPONSES TO ARIZA GOSLING OWNER LLC'S
SECOND REQUEST FOR INFORMATION**

AG RFI 2-41

How was the maintenance ad valorem tax rate determined at the time the appealed rates were adopted? Please provide the detailed calculation.

FIRST SUPPLEMENTAL RESPONSE:

See the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024.

RESPONSE (Originally filed on March 18, 2024):

See Response to AG RFI 2-40.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

**SOAH DOCKET NO. 473-24-09299.WS
PUC DOCKET NO. 54966
NORTHAMPTON MUNICIPAL UTILITY DISTRICT'S SUPPLEMENTAL
RESPONSES TO ARIZA GOSLING OWNER LLC'S
SECOND REQUEST FOR INFORMATION**

AG RFI 2-42

How are administrative costs allocated to the water and wastewater systems?

FIRST SUPPLEMENTAL RESPONSE:

See the Direct Testimony of John R. Wallace filed in this proceeding on June 7, 2024.

RESPONSE (Originally filed on March 18, 2024):

All of the administrative costs are shown in the publicly available operating budgets. See response to AG RFI 2-1.

Preparer: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

Sponsor: Legal Counsel; John R. Wallace, General Counsel, Northampton Municipal
Utility District

The following files are not convertible:

AG RFI 2-1 Attachment - Rate Order
Analysis - Non Taxable Apartments.xlsx

Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

Contact centralrecords@puc.texas.gov if you have any questions.