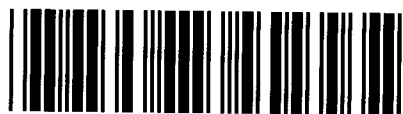




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APPLICATION OF NORTH ORANGE §
WATER & SEWER L.L.C DBA §
COUNTRY SQUIRE WATER AND §
SEWER FOR A RATE/TARIFF §
CHANGE (37820-R AND 37821-R) §

PUBLIC UTILITY COMMISSION
PUBLIC UTILITY COMMISSION
OF TEXAS

COMMISSION STAFF'S PROPOSED LIST OF ISSUES

COMES NOW the Staff (Staff), of the Public Utility Commission of Texas (Commission) representing the public interest and files this Proposed List of Issues and would show the following:

I. BACKGROUND

On December 30, 2013, the Texas Commission on Environmental Quality (TCEQ) received an application from North Orange Water & Sewer L.L.C d/b/a Country Squire Water (North Orange) for a water and sewer rate/tariff change. On November 13, 2014, this proceeding was referred to the State Office of Administrative Hearings. The Order of Referral required that North Orange shall, and the Commission Staff and any other interested party may, file with the Commission a list of issues to be addressed in the docket by December 1, 2014. Accordingly, this list of issues is timely filed.

II. LIST OF ISSUES TO BE ADDRESSED

Staff has identified the following issues to be addressed:

1. What are the just and reasonable rates for North Orange that are sufficient, equitable, and consistent in application to each customer class and that are not unreasonably preferential, prejudicial, or discriminatory as required by Tex. Water Code Ann. (TWC) § 13.182?
2. What revenue requirement will give the utility a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses while preserving the financial integrity of the utility? TWC § 13.183(a) and P.U.C. SUBST. R. 24.32(a), 16 TAC § 24.32(a)

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3. What is the reasonable and necessary cost of providing water service calculated in accordance with P.U.C. SUBST. R. 24.31, 16 TAC § 24.31?
4. What adjustments, if any, should be made to the utility's proposed test-year data? TWC § 13.185(d)(1) and P.U.C. SUBST. R. 24.31(b), 16 TAC § 24.31(b)
5. What is the appropriate debt-to-equity capital structure of the utility?
6. What is the appropriate overall rate of return, return on equity, and cost of debt for the utility? P.U.C. SUBST. R. 24.31(c)(1), 16 TAC § 24.31(c)(1)
7. What are the reasonable and necessary components of the utility's invested capital? P.U.C. SUBST. R. 24.31(c)(2), 16 TAC § 24.31(c)(2)
8. What is the original cost of the property used and useful in providing water service to the public at the time the property was dedicated to public use? TWC § 13.185(b) and P.U.C. SUBST. R. 24.31(c)(2)(A) and (B), 16 TAC § 24.31(c)(2)(A) and (B)
9. Does the utility have any water and sewer property that was acquired from an affiliate or a developer before September 1, 1976? If so, has such property been included by the utility in its rate base and has it been included in all ratemaking formulas at the actual cost of the property rather than the price set between the entities? TWC § 13.185(b) and P.U.C. SUBST. R. 24.31(c)(2)(B)(i), 16 TAC § 24.31(c)(2)(B)(i)
10. Has the utility financed any of its plant with developer contributions?
11. Has the utility included any customer contributions or donations in invested capital?
12. What is the amount, if any, of accumulated depreciation on that property?
13. Is the utility seeking the inclusion of construction work in progress? If so, what is the amount sought and for what facilities? Additionally, has the utility proven that the inclusion is necessary to the financial integrity of the utility and that major projects under construction have been efficiently and prudently planned and managed? TWC § 13.185(b) and P.U.C. SUBST. R. 24.31(c)(3)(B), 16 TAC § 24.31(c)(3)(B)
14. What is the reasonable and necessary working capital allowance for the utility? P.U.C. SUBST. R. 24.31(c)(2)(C), 16 TAC § 24.31(c)(2)(C)
15. Does the utility have any debt, and, if so, what is the cost of that debt?
16. What are the utility's reasonable and necessary operations and maintenance expenses? P.U.C. SUBST. R. 24.31(b)(1)(A), 16 TAC § 24.31(b)(1)(A)
17. What are the utility's reasonable and necessary administrative and general expenses?

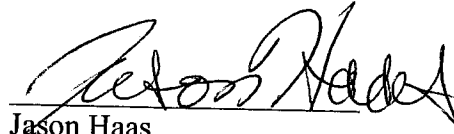
18. What is the reasonable and necessary depreciation expense? For each class of property, what are the proper and adequate depreciation rates (including service lives and salvage values) and methods for depreciation? TWC §13.185(j) and P.U.C. SUBST. R. 24.31(b)(1)(B), 16 TAC § 24.31(b)(1)(B)
19. What is the reasonable and necessary amount for assessment and taxes, other than federal income taxes? P.U.C. SUBST. R. 24.31(b)(1)(C), 16 TAC § 24.31(b)(1)(C)
20. What is the reasonable and necessary amount for the utility's federal income tax expense? P.U.C. SUBST. R. 24.31(b)(1)(D), 16 TAC § 24.31(b)(1)(D) and, if applicable, Tex. Water Code Ann. § 13.185(f)
 - a. Is the utility a member of an affiliated group that is eligible to file a consolidated income tax return? TWC § 13.185(f)
 - b. If so, have income taxes been computed as though a consolidated return had been filed and the utility realized its fair share of the savings resulting from the consolidated return? TWC § 13.185(f)
 - c. If not, has the utility demonstrated that it was reasonable not to consolidate returns? TWC § 13.185(f)
21. Is the utility seeking rates for both water and sewer service? If so, is the revenue requirement properly allocated between water and sewer services?
22. What is the appropriate allocation of the revenue requirement among rate classes?
23. What is the appropriate rate design for each rate class?
24. What are the utility's reasonable and necessary expenses incurred in this rate proceeding?
25. If a refund or surcharge results from this proceeding, how and over what period of time should that be made? TWC § 13.187
26. Has the utility met the requirements for a request for interim relief in the form of interim rates? If so, what are the appropriate levels of the interim rates? P.U.C. SUBST. R. 24.29, 16 TAC § 24.29
27. What is the appropriate effective date of the rates fixed by the Commission in this proceeding? TWC § 13.187

Dated: December 1, 2014

Respectfully Submitted,

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DOCKET NO. 42940

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on December 1, 2014 in accordance with P.U.C. Procedural Rule 22.74.


Jason Haas