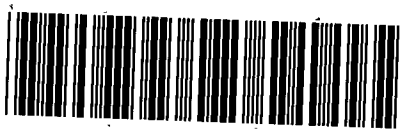

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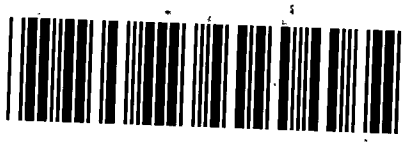

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Addendum StartPage: 0

SOAH DOCKET NO. 473-16-3408.WS
PUC DOCKET NO. 43069

APPLICATION OF INLINE DEVELOPMENT LLC FOR A RATE/TARIFF CHANGE	§ § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

INLINE DEVELOPMENT LLC'S SUPPLEMENTAL APPLICATION INFORMATION

COMES NOW Inline Development LLC ("*Inline*"), by and through its attorneys of record, and files this Supplemental Application Information attached hereto as Attachment A - Inline's supplemental information related to its trending study.

Respectfully submitted.

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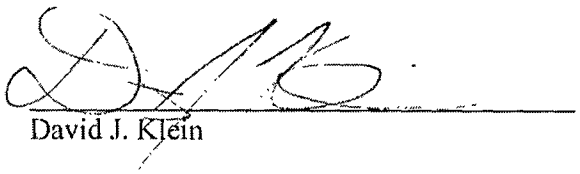
ATTORNEYS FOR INLINE DEVELOPMENT LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was transmitted by fax, hand-delivery and/or regular, first class mail on this 14th day of December, 2016, to the parties of record.



David J. Klein

ATTACHMENT A

GDS Associates, Inc.
Engineers and Consultants

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Executive Engineer

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September 26, 2016

Ms. Heidi Graham
Public Utility Commission of Texas
1701 N. Congress Avenue
PO Box 13326
Austin, TX 78711-3326

Ms. Graham:

This report was prepared to explain the choice of valuation indices used in computing the original cost of Inline Utilities' Sugarberry Place and Cottage Gardens Water and Sewer systems. The replacement costs and installation dates used in establishing those original costs were provided to GDS Associates by Jerry Ince, P.E., of Ince Engineering, LLC.

The methodology used to calculate the trended original value of the assets included in this study were explained in my description included in the response to RFI 2-2 in Public Utility Commission of Texas Docket 43069, Application of Inline Development LLC for a Rate/Tariff Change. Three separate indices were used for the InLine trending study: (1) Handy-Whitman Index of Water Utility Construction Costs for the South Central Region (Region 4); (2) the ENR (formerly Engineering News Record) Index of Building Cost Trends; and (3) the Bureau of Reclamation Construction Cost Trends. Each of these three indices report values at different time periods. The Handy-Whitman Index has been reporting annual values since 1912 and bi-annual values for each year since 1973. The ENR Building Cost Index has been reported since 1915 and currently reports monthly values. The U.S Bureau of Reclamation Index has been reported quarterly since 1940.

The Handy-Whitman Index was the primary reference source used for this study because utility regulators and industry routinely accept it. Whitman, Requardt and Associates from Baltimore, Maryland prepare the Handy-Whitman index for six different geographical regions of the United States. From my experience with past studies I have found Handy-Whitman to be accurate for most water and sewer utility plant items. The Public Utility Commission of Texas has previously determined that the Handy-Whitman Index is a standard type of database used to measure cost changes for utility companies in Docket 38339.

For land costs, I like to use the U.S. Bureau of Reclamation Construction Cost Trends Index because it is the only known independent analysis of cost indices for land in Texas. It has consistent cost indices of land comparisons dating back to 1940, Another alternative is to use local experts in land values which may be less accurate and inconsistent.

For items other than land and not in the Handy-Whitman indices, I use the Building Cost Index of ENR, as I have found it to be the most suitable alternative when the Handy-Whitman Index is not applicable. I prefer the ENR Building Cost Index to the ENR Construction Cost Index because I believe it is based upon features more accurately resembling water and wastewater facilities and buildings and because it has a lower inflation rate.

All indices were updated to the latest data available at the time of the study, which was January 2015 for the Handy-Whitman Index, November 2015 for the ENR Index and July 2015 for the Bureau of Reclaimed Construction Costs Trends.

I have performed and assisted with the development of trending studies for water and wastewater utilities with GDS Associates, Inc. since 1998 and have consistently used Handy-Whitman, USBR and ENR to estimate original values of plant. These values have been accepted by TCEQ and PUCT staff and in rate cases that were adjudicated. All the choices of trending indices were approved by the commissioners. Based on my experience, I believe that the indices used in the InLine study are reliable for use in this rate case.

Below is the justification for the individual indices used for each class of item for which no Handy-Whitman item-specific index exists. For those items for which Handy-Whitman has specific indices, such as meters or services, it is my professional opinion that these are the most appropriate indices to use for those items for the reasons outlined above.

Chlorinators

Handy-Whitman Water Utility Index, Region 4, Line 17, Small Treatment Plant Equipment

No specific Handy-Whitman index exists for chlorinating equipment. The Small Treatment Plant Equipment index is the most appropriate index for chlorinators because they are a small piece of equipment that is found at almost all water treatment systems.

Collection System

Handy-Whitman Water Utility Index, Region 4, Line 34, Mains – Average All Types

No information was provided in regards to the make up or type of piping used in the collection system. In our experience, collection systems are generally made up of various kinds of piping depending on what is being connected and the size of piping needed. Since no information was available on the specific material of piping, the Handy-Whitman Average of All Types of main is used as the most appropriate index.

Diesel Generator

Handy-Whitman Utility Plant Materials Index, Construction and Equipment, All Regions - Construction Equipment

Although diesel generators are often found as backup systems at water and sewer facilities, the Handy-Whitman Water Utility index does not contain a diesel generator specific index. The index for Construction Equipment is the most applicable index to use for a diesel generator because there is no construction equipment index that is specific to items with characteristics similar to a diesel generator.

Electrical Equipment and Controls
Handy-Whitman Water Utility Index, Region 4, Line 9, Electric Pumping Equipment
The Handy-Whitman Index for Water Electric Pumping Equipment is appropriate to use, as electrical equipment and controls are a subset of electric pumping equipment, and no other appropriate alternative is available.

Fencing
ENR Building Cost History
Since fencing is not a water utility-specific item, ENR Building Cost Index is the most appropriate index to use. The ENR index is based on a 20-city average of skilled labor and common construction materials and in my experience is accurate for items such as fencing.

Land
U.S. Bureau of Reclaimed Construction Costs, Line 51, Land – Texas
For land the USBR land index is used as the only independent governmental index available for land in Texas.

Lift Station
Handy-Whitman Water Utility Index, Region 4, Line 34, Mains – Average All Types
Several kinds of materials create the chambers, pipes, valves and pumps that become a lift station. As those materials are similar to those in all types of water lines, the Mains - Average All Types is the most appropriate index to use for lift stations.

Plant – Sewer
ENR Building Cost History
The ENR Index is used for Waste Water Treatment Plants, specifically the item Plant Sewers. The ENR Building Cost History is the most appropriate index for these items since it is based on an average of construction labor and material costs that would be applicable to constructing sewer structures.

Yard Piping
Handy-Whitman Water Utility Index, Region 4, Line 34, Mains - Average All Types
Yard piping can consist of a variety of piping materials, including PVC and steel piping. Since the composition of the yard piping was not provided by Ince engineering, the index for mains of all materials is the most appropriate index for yard piping.

If you have any questions about this project, please call me at (512) 494-0369.

Sincerely,

Thomas G. Gebhard, Jr., P.E., Ph.D.
Texas Registered Engineer No. 39577

10-4-2016