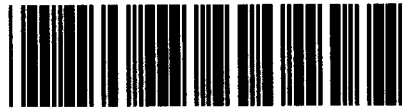


Control Number: 43922



Item Number: 25

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014

RECEIVED

2014 DEC -9 AM 9:53

PUBLIC UTILITY COMMISSION
FILING CLERK

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

May 14, 2010

The Honorable Richard R. Wilfong
State Office of Administrative Hearings
300 West 15th Street, Room 504
Austin, Texas 78701-1649

Re: Water Rate/Tariff Change Application of Double Diamond Utilities Co., Certificate of Convenience and Necessity No. 12087, in Hill, Palo Pinto, and Johnson Counties, Texas, Application No. 36220-R; SOAH Docket No. 582-09-4288; TCEQ Docket No. 2009-0505-UCR

Dear Judge Wilfong:

After the Executive Director (ED) filed his prefiled testimony on April 29, 2010, he discovered that several omissions and non-substantive errors related to that testimony needed to be corrected. To correct those omissions and errors, the ED provides the following:

1. The cover page to Elsie Pascua's direct testimony (exhibit number attached). Please replace the existing cover page with this page.
2. The Index of Attachments for Ms. Pascua's direct testimony (corrections made to attachment descriptions). Please replace the existing index with these pages.
3. The cover page to Brian David Dickey's direct testimony (exhibit number attached). Please replace the existing cover page with this page.
4. The Index of Attachments for Mr. Dickey's direct testimony (corrections made to attachment descriptions). Please replace the existing index with this page.
5. Page 1 of Attachment BDD-1 (missing from original attachment). Please insert this page in front of the existing pages in Attachment BDD-1.

Please let me know if you have any questions. You can reach me at (512) 239-0575 or sskogen@tceq.state.tx.us.

Sincerely,

Stefanie Skogen
Stefanie Skogen
Staff Attorney
Environmental Law Division

Enclosure

cc: Mailing List

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
CHIEF CLERKS OFFICE
2010 MAY 14 AM 11:42

SOAH DOCKET NO. 582-09-4288
TCEQ DOCKET NO. 2009-0505-UCR

WATER RATE/TARIFF CHANGE
APPLICATION OF DOUBLE DIAMOND
UTILITIES CO. IN HILL, PALO PINTO,
AND JOHNSON COUNTIES, TEXAS,
APPLICATION NO. 36220-R

§ BEFORE THE STATE OFFICE
§
§ OF
§
§ ADMINISTRATIVE HEARINGS
§

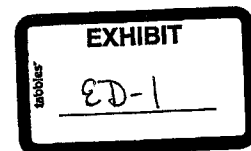


DIRECT TESTIMONY OF
ELSIE PASCUA
UTILITIES & DISTRICTS SECTION
WATER SUPPLY DIVISION
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
APRIL 29, 2010

CHIEF CLERKS OFFICE

270 MAY 14 AM 11:43

TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY



Index of Attachments

Attachments	Details
EP-1	ED's recommended revenue requirement for The Retreat
EP-2	ED's recommended O&M, other taxes, and federal income taxes for The Retreat
EP-3	ED's recommended weighted cost of capital and invested capital and return for The Retreat
EP-4	ED's recommended federal income taxes for The Retreat
EP-5	ED's recommended revenue requirement for The Cliffs
EP-6	ED's recommended O&M, other taxes, and federal income taxes for The Cliffs
EP-7	ED's recommended weighted cost of capital and invested capital and return for The Cliffs
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EP-9	ED's recommended revenue requirement for White Bluff's water system
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EP-13	Staff adjustments to the cost of service for The Retreat
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EP-16	Staff adjustments to salaries and the payroll burden for all three water systems
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EP-20	DDU's general ledgers for 2007 for The Retreat with staff notations
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EP-23	Cover page of DDU's rate change application
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EP-26	DDU's Comparison of Requested Revenue Requirement to Revenue

	Requirement Presented in Application (Ex. DDU -19) with staff notations
EP-27	DDU's Reconciliation of 2007 Booked Values to 2007 Test Year Application Values
EP-28	DDU's Non-Consolidated Cost of Service and Revenue Requirement for all three systems (Ex. DDU-21)
EP-29	DDU's outstanding loans (Attachment 9 to the application) with staff notations
EP-30	ED's recommended revenue requirement for The Retreat and White Bluff
EP-31	ED's recommended O&M, other taxes, and federal income taxes for The Retreat and White Bluff
EP-32	ED's recommended weighted cost of capital and invested capital and return for The Retreat and White Bluff
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EP-34	Resume of Elsie Pascua

SOAH DOCKET NO. 582-09-4288
TCEQ DOCKET NO. 2009-0505-UCR

WATER RATE/TARIFF CHANGE § BEFORE THE STATE OFFICE
APPLICATION OF DOUBLE DIAMOND §
UTILITIES CO. IN HILL, PALO PINTO, § OF
AND JOHNSON COUNTIES, TEXAS, §
APPLICATION NO. 36220-R § ADMINISTRATIVE HEARINGS



DIRECT TESTIMONY OF
BRIAN DICKEY
PLAN & GROUNDWATER REVIEW SECTION
WATER SUPPLY DIVISION
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
APRIL 29, 2010

EXHIBIT
ED-2

Index of Attachments

Attachment	Details
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BDD-2	Depreciation Schedule for The Cliffs
BDD-3	Depreciation Schedule for The Retreat
BDD-4	Depreciation Schedule for White Bluff
BDD-5	Revenue Generated by Proposed Rates for The Cliffs
BDD-6	Revenue Generated by Proposed Rates The Retreat and White Bluff
BDD-7	Line Loss Calculation for White Bluff
BDD-8	Monthly Water Pumped for each system
BDD-9	ED's July 10, 2009, Request for Information
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BDD-11	Revenue Generated by Existing Rates for The Retreat/White Bluff
BDD-12	Revenue Generated by ED's Proposed Rates for The Retreat/White Bluff
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BDD-17	Handy-Whitman Index of Public Utility Construction Costs
BDD-18	Revenue Generated by ED's Proposed Rates for The Cliffs
BDD-19	Revenue Generated by Existing Rates for The Cliffs
BDD-20	PUC Interest Rate Order for 2009

BRIAN D. DICKEY
Utilities and Districts Section (MC 153)
Water Supply Division
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087
email: BDICKEY@teeq.state.tx.us
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Education:

October 2000 NARUC Utility Rate School Clearwater Beach, Florida

1988-1994: Texas Tech University School of Engineering
 Lubbock, Texas - B.S. Mechanical Engineering

1986-1988: South Plains College Levelland, Texas

Professional Experience:

Dec 05 to Present Engineering Specialist IV, Texas Commission On Environmental
Quality, Austin, Texas
• Review applications and prepare Certificates of
Convenience and Necessity (CCNs)
• Review applications and prepare rate designs for retail
public utilities
• Attend and participate in resolution of contested cases
concerning CCNs, appeals, and rates
• Provide utility and consumer assistance
• Review plans and specifications for water system
modifications

Dec 04 to Dec 05 General Engineering Specialist III, Texas Commission On
Environmental Quality, Austin, Texas
• Review applications and prepare Certificates of
Convenience and Necessity (CCNs)
• Review applications and prepare rate designs for retail
public utilities
• Attend and participate in resolution of contested cases
concerning CCNs, appeals, and rates
• Provide utility and consumer assistance
• Review plans and specifications for water system
modifications

CERTIFICATE OF SERVICE

I certify that on May 14, 2010, a copy of the foregoing document was sent by first class, agency mail, electronic mail, and/or facsimile to the persons on the attached Mailing List.

Stefanie Skogen

Stefanie Skogen, Staff Attorney
Environmental Law Division

Mailing List

Double Diamond Utility Co., Inc.
SOAH Docket No. 582-09-4288
TCEQ Docket No. 2009-0505-UCR

STATE OFFICE OF ADMINISTRATIVE HEARINGS:

The Honorable Richard R. Wilfong
State Office of Administrative Hearings
300 West 15th Street, Room 504
Austin, Texas 78701-1649
Phone: (512) 475-4993
Fax: (512) 475-4994

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Armbrust & Brown, L.L.P.
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Fax: (512) 435-2360

REPRESENTING WHITE BLUFF SUBDIVISION RATEPAYERS:

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Mathews & Freeland, L.L.P.
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Austin, Texas 78701
Phone: (512) 404-7800
Fax: (512) 703-2785

THE CLIFFS UTILITY COMMITTEE:

Phillip Day
90 Glen Abbey Drive South
Graford, Texas 76449
Phone: (940) 779-9296

THE RETREAT HOMEOWNERS GROUP:

Jack D. McCartney and John T. Bell
6300 Annanhill Street
Cleburne, Texas 76033-8957
Phone: (817) 645-4392

REPRESENTING THE OFFICE OF PUBLIC INTEREST COUNSEL:

Eli Martinez
Texas Commission on Environmental Quality
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P. O. Box 13087
Austin, Texas 78711-3087
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OFFICE OF THE CHIEF CLERK:

LaDonna Castañuela
Texas Commission on Environmental Quality
Office of the Chief Clerk, MC-105
P.O. Box 13087
Austin, Texas 78711-3087
Phone: (512) 239-3300
Fax: (512) 239-3311

CHIEF CLERKS OFFICE

200 MAY 14 AM 11:43

TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY

TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY

2010 APR 29 PM 4:08

CHIEF CLERKS OFFICE

Attachment EP-1

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY 0
 Utility Name: DOUBLE DIAMOND UTILITIES CO
 Docket Number: 36220-R (WATER)

version: 20070403
 2:00 PM
 29-Apr-10

Retreat

SCHEDULE I - REVENUE REQUIREMENT

	TEST PERIOD PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	STAFF ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
Operations and Maintenance	\$990,751	\$0	\$990,751	(\$35,303)	\$44,045
Depreciation and Amortization	\$137,020	\$61,475	\$198,495	(\$145,819)	\$52,676
Other Taxes	\$31,586	\$0	\$31,586	(\$162)	\$1,389
Federal Income Taxes		\$49,160	\$49,160	(\$4,906)	\$44,254
Return		\$168,914	\$168,914	(\$56,637)	\$112,277
Cost of Service	\$1,159,357	\$279,549	\$1,438,906	(\$242,827)	\$254,641
Other Revenues - Taps	(21,738)		(21,738)	20,526	(1,212)
Revenue Requirement	\$1,137,619	\$279,549	\$1,417,168	(\$222,300)	\$253,430

ATTACHMENT EP-1

Attachment EP-2

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY *Preliminary - Subject To Change*
 Utility Name: DOUBLE DIAMOND UTILITIES CO
 Docket Number: 36220-R (WATER) Retreat version: 20070403
 Test Period: From: 1/1/2007 To: 12/31/2007 5:48 PM
 28-Apr-10

SCHEDULE I(a) - OPERATIONS & MAINTENANCE

	TEST PERIOD PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	STAFF ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
SALARIES	\$229,384		\$24,204	(\$16,877)	\$7,327
CONTRACT SERVICES	\$6,456		\$37	\$0	\$37
PURCHASED WATER	\$10,846		\$0	\$0	\$0
CHEMICALS AND TREATMENT	\$10,050		\$1,069	(\$28)	\$1,041
UTILITIES	\$132,249		\$24,444	\$0	\$24,444
REPAIRS AND MAINTENANCE	\$387,723		\$17,151	(\$13,506)	\$3,645
OFFICE EXPENSE	\$9,562		\$580	\$0	\$580
ACCOUNTING AND LEGAL	\$28,774		\$3,917	(\$4,892)	(\$975)
INSURANCE	\$28,479		\$1,782	\$0	\$1,782
RATE CASE EXPENSE	\$0		\$0	\$0	\$0
MISCELLANEOUS	\$147,228		\$6,164	\$0	\$6,164
TOTAL	\$990,751	\$0	\$79,348	(\$35,303)	\$44,045

SCHEDULE I(b) - OTHER TAXES

	TEST YEAR PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	STAFF ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
AD VALOREM TAXES	\$5,806		\$323	\$0	\$323
PAYROLL TAXES	\$25,780		\$1,228	(\$162)	\$1,066
OTHER TAXES-MISC			\$0		\$0
NON-REVENUE RELATED	\$31,586	\$0	\$1,551	-\$162	\$1,389
TWC ASSESSMENT			\$0		\$0
REVENUE RELATED TAXES	\$0	\$0	\$0		\$0
TOTAL OTHER TAXES	\$31,586	\$0	\$1,551	-\$162	\$1,389
	1,022,337	0	80,899	(35,465)	45,434

SCHEDULE I(c) - FEDERAL INCOME TAXES

REVENUE REQUIREMENT	\$254,641
LESS:	
OPERATIONS AND MAINTENANCE	(44,045)
DEPRECIATION AND AMORTIZATION	(52,676)
OTHER TAXES	(1,389)
INTEREST EXPENSE	(110)
TAXABLE INCOME	156,422
TAXES @ FACTOR :	39%
SUB-TOTAL	61,004
LESS:	
SURTAX EXEMPTION :	(16,750)
FEDERAL INCOME TAXES	44,254

ATTACHMENT EP-2

Attachment EP-3

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Preliminary - Subject To Change

Utility Name:

DOUBLE DIAMOND UTILITIES

Docket Number:

36220-R (WATER) Retreat

version: 20070403

5:48 PM

28-Apr-10

SCHEDULE I(d) - WEIGHTED COST OF CAPITAL

PAYEE	PRINCIPAL AS OF	INTEREST RATE	PERCENTAGE	WEIGHTED AVERAGE
	\$2,256	4.87%	0.23%	0.01%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
EQUITY	979,624	11.45%	99.77%	11.42%
TOTAL	\$981,880		100.00%	11.43%

SCHEDULE I(e) - INVESTED CAPITAL & RETURN

	COMPANY AMOUNT (a)	STAFF ADJUST (b)=(c)-(a)	STAFF AMOUNT (c)
PLANT IN SERVICE		1,631,643	1,631,643
ACCUMULATED DEPRECIATION		206,774	206,774
NET PLANT		1,424,869	1,424,869
WORKING CASH ALLOWANCE		5,506	5,506
MATERIALS AND SUPPLIES		0	\$0.00
CUSTOMERS DEPOSITS		0	
INVESTMENT TAX CREDITS		0	
DCIAC		(448,494)	(448,494)
TOTAL INVESTED CAPITAL	0	981,880	981,880
RATE OF RETURN			11.43%
RETURN	168,914	-56,637	112,277

ATTACHMENT EP-3

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Attachment EP-4

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

0

Utility Name: DOUBLE DIAMOND UTILITIES CO
Docket Number: 36220-R (WATER)

version: 20070403

8:33 AM
29-Apr-10

RETURN 112,277
INTEREST 110 (TOTAL INVESTED CAPITAL * WEIGHTED AVERAGE LT DEBT)
TAXABLE INCOME 112,167

TAX CALCULATIONS FYE 07-01-87

RATE	BRACKET	SURTAX
15%	0 - 50,000	
25%	50,001 - 75,000	5,000
34%	75,001 - 100,000	11,750
39%	100,001 - 335,000	16,750
34%	335,001 -	

USE THE FOLLOWING RULE TO DETERMINE THE APPROPRIATE TAX BRACKET:
IF TAXABLE INCOME (RETURN - INTEREST) IS:

- 0 - 42,500 USE 15%
- 42,501 - 61,250 USE 25%
- 61,251 - 77,750 USE 34%
- 77,751 - 221,100 USE 39%
- 221,101 OR OVER USE 34%

INCOME RANGE	IF TAXABLE INCOME IS	THE TAX RATE IS	THE TAX INCLUDING THE SURTAX EXEMPTION IS	AND THE SURTAX EXEMPTION IS
0 - 42,500	0	0.00%	0	0
42,501 - 61,250	0	0.00%	0	0
61,251 - 77,750	0	0.00%	0	0
77,751 - 221,100	112,167	39.00%	44,254	16,750
221,100 -	0	0.00%	0	0
Total	112,167	39.00%	44,254	16,750

ATTACHMENT EP-4

Tax Calculation

Attachment EP-5

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY *Preliminary - Subject To Change*
 Utility Name: DOUBLE DIAMOND UTILITIES CO
 Docket Number: 36220-R (WATER)

version: 20070403
 2:00 PM
 29-Apr-10

The Cliffs

SCHEDULE I - Revenue Requirement

	TEST PERIOD PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	STAFF ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
Operations and Maintenance	990,751	0	990,751	(202,014)	270,782
Depreciation and Amortization	137,020	61,475	198,495	(153,398)	45,097
Other Taxes	31,586	0	31,586	(696)	14,813
Federal Income Taxes		49,160	49,160	(42,711)	6,449
Return		168,914	168,914	(129,525)	39,389
Cost of Service	1,159,357	279,549	1,438,906	(528,344)	376,530
Other Revenues - Taps	(21,738)		(21,738)	12,116	(9,622)
Revenue Requirement	1,137,619	279,549	1,417,168	(516,228)	366,908

ATTACHMENT EP-5

Attachment EP-6

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY *Preliminary - Subject To Change*

Utility Name: DOUBLE DIAMOND UTILITIES CO
 Docket Number: 36220-R (WATER) The Cliffs version: 20070403
 Report Period: From: 1/1/2007 To: 12/31/2007 5:50 PM
 28-Apr-10

SCHEDULE I(a) - OPERATIONS & MAINTENANCE

	TEST PERIOD PER COMPANY	COMPANY ADJUST	COMPANY TEST YEAR	STAFF ADJUST	STAFF TEST YEAR
	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
SALARIES	\$229,384		\$98,301	(\$28,034)	\$70,267
CONTRACT SERVICES	\$6,456		\$3,633	\$0	\$3,633
PURCHASED WATER	\$10,846		\$10,846	\$0	\$10,846
CHEMICALS AND TREATMENT	\$10,050		\$5,001	(\$1,449)	\$3,552
UTILITIES	\$132,249		\$27,961	\$0	\$27,961
REPAIRS AND MAINTENANCE	\$387,723		\$209,927	(\$142,427)	\$67,500
OFFICE EXPENSE	\$9,562		\$5,122	\$0	\$5,122
ACCOUNTING AND LEGAL	\$28,774		\$18,674	(\$30,104)	-\$11,430
INSURANCE	\$28,479		\$10,005	\$0	\$10,005
RATE CASE EXPENSE	\$0		\$0	\$0	\$0
MISCELLANEOUS	\$147,228		\$83,326	\$0	\$83,326
TOTAL	\$990,751	\$0	\$472,796	(\$202,014)	\$270,782

SCHEDULE I(b) - OTHER TAXES

	TEST YEAR PER COMPANY	COMPANY ADJUST	COMPANY TEST YEAR	STAFF ADJUST	STAFF TEST YEAR
	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
AD VALOREM TAXES	\$5,806		\$2,454	0	\$2,454
PAYROLL TAXES	\$25,780		\$13,055	(696)	\$12,359
OTHER TAXES-MISC			\$0		\$0
NON-REVENUE RELATED	\$31,586	\$0	\$15,509	(696)	\$14,813
TWC ASSESSMENT			\$0		\$0
REVENUE RELATED TAXES	\$0	\$0	\$0		\$0
TOTAL OTHER TAXES	\$31,586	\$0	\$15,509	(696)	\$14,813
	1,022,337	0	488,305	(202,710)	285,595

SCHEDULE I(c) - FEDERAL INCOME TAXES

REVENUE REQUIREMENT	\$376,530
LESS:	
OPERATIONS AND MAINTENANCE	(270,782)
DEPRECIATION AND AMORTIZATION	(45,097)
OTHER TAXES	(14,813)
INTEREST EXPENSE	(2,846)
TAXABLE INCOME	42,991
TAXES @ FACTOR :	15%
SUB-TOTAL	6,449
LESS:	
SURTAX EXEMPTION :	0
FEDERAL INCOME TAXES	6,449

ATTACHMENT EP-6

Attachment EP-7

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY *Preliminary - Subject To Change*Utility Name: DOUBLE DIAMOND UTILITIESDocket Number: 36220-R (WATER) The Cliffs

version: 20070403

5:50 PM

28-Apr-10

SCHEDULE I(d) - WEIGHTED COST OF CAPITAL

PAYEE	PRINCIPAL AS OF	INTEREST RATE	PERCENTAGE	WEIGHTED AVERAGE
	\$58,446	4.87%	13.13%	0.64%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
EQUITY	386,699	9.45%	86.87%	8.21%
TOTAL	\$445,145		100.00%	8.85%

SCHEDULE I(e) - INVESTED CAPITAL & RETURN

	COMPANY AMOUNT (a)	STAFF ADJUST (b)=(c)-(a)	STAFF AMOUNT (c)
PLANT IN SERVICE		1,323,711	1,323,711
ACCUMULATED DEPRECIATION		464,814	464,814
NET PLANT		858,897	858,897
WORKING CASH ALLOWANCE		33,848	33,848
MATERIALS AND SUPPLIES		0	\$0.00
CUSTOMERS DEPOSITS		0	
INVESTMENT TAX CREDITS		0	
DCIAC		(447,600)	(447,600)
TOTAL INVESTED CAPITAL	0	445,145	445,145
RATE OF RETURN			8.85%
RETURN	168,914	-129,525	39,389

ATTACHMENT EP-7

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Attachment EP-8

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Preliminary - Subject To Change

Utility Name: DOUBLE DIAMOND UTILITIES CO
Docket Number: 36220-R (WATER)

version: 20070403

8:33 AM
29-Apr-10

RETURN 39,389
INTEREST 2,846 (TOTAL INVESTED CAPITAL * WEIGHTED AVERAGE LT DEBT)
TAXABLE INCOME 36,543

TAX CALCULATIONS FYE 07-01-87

RATE	BRACKET	SURTAX
15%	0 - 50,000	
25%	50,001 - 75,000	5,000
34%	75,001 - 100,000	11,750
39%	100,001 - 335,000	16,750
34%	335,001 -	

USE THE FOLLOWING RULE TO DETERMINE THE APPROPRIATE TAX BRACKET:

IF TAXABLE INCOME (RETURN - INTEREST) IS:

- 0 - 42,500 USE 15%
- 42,501 - 61,250 USE 25%
- 61,251 - 77,750 USE 34%
- 77,751 - 221,100 USE 39%
- 221,101 OR OVER USE 34%

INCOME RANGE	IF TAXABLE INCOME IS	THE TAX RATE IS	THE TAX INCLUDING THE SURTAX EXEMPTION IS	AND THE SURTAX EXEMPTION IS
0 - 42,500	36,543	15.00%	6,449	0
42,501 - 61,250	0	0.00%	0	0
61,251 - 77,750	0	0.00%	0	0
77,751 - 221,100	0	0.00%	0	0
221,100 -	0	0.00%	0	0
Total	36,543	15.00%	6,449	0

ATTACHMENT EP-8

Attachment EP-9

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
 Utility Name: DOUBLE DIAMOND UTILITIES CO
 Docket Number: 36220-R (WATER)

0

version: 20070403
 2:00 PM
 29-Apr-10

White Bluff

SCHEDULE I - Revenue Requirement

	TEST PERIOD PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	STAFF ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
Operations and Maintenance	\$990,751	\$0	\$990,751	(120,337)	\$318,245
Depreciation and Amortization	\$137,020	\$61,475	\$198,495	(116,053)	\$82,442
Other Taxes	\$31,586	\$0	\$31,586	(761)	\$13,766
Federal Income Taxes		\$49,160	\$49,160	(33,076)	\$16,084
Return		\$168,914	\$168,914	(99,271)	\$69,643
Cost of Service	\$1,159,357	\$279,549	\$1,438,906	(369,498)	\$500,180
Other Revenues - Taps	(21,738)		(21,738)	10,834	(10,904)
Revenue Requirement	\$1,137,619	\$279,549	\$1,417,168	(358,665)	\$489,273

ATTACHMENT EP-9

Attachment EP-10

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY *Preliminary - Subject To Change*
 Utility Name: DOUBLE DIAMOND UTILITIES CO
 Docket Number: 36220-R (WATER) White Bluff version: 20070403
 Report Period: From: 1/1/2007 To: 12/31/2007 5:51 PM
 28-Apr-10

SCHEDULE I(a) - OPERATIONS & MAINTENANCE

	TEST PERIOD PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	STAFF ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
SALARIES	\$229,384		\$106,853	(9,982)	\$96,871
CONTRACT SERVICES	\$6,456		\$2,787	0	\$2,787
PURCHASED WATER	\$10,846		\$0	0	\$0
CHEMICALS AND TREATMENT	\$10,050		\$3,980	0	\$3,980
UTILITIES	\$132,249		\$79,843	0	\$79,843
REPAIRS AND MAINTENANCE	\$387,723		\$160,645	(102,698)	\$57,947
OFFICE EXPENSE	\$9,562		\$3,860	0	\$3,860
ACCOUNTING AND LEGAL	\$28,774		\$6,183	(7,138)	-\$955
INSURANCE	\$28,479		\$16,693	0	\$16,693
RATE CASE EXPENSE	\$0		\$0	0	\$0
MISCELLANEOUS	\$147,228		\$57,738	(519)	\$57,219
TOTAL	\$990,751	\$0	\$438,582	(120,337)	\$318,245

SCHEDULE I(b) - OTHER TAXES

	TEST YEAR PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	STAFF ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
AD VALOREM TAXES	\$5,806		\$3,029	0	\$3,029
PAYROLL TAXES	\$25,780		\$11,498	(761)	\$10,737
OTHER TAXES-MISC			\$0		\$0
NON-REVENUE RELATED	\$31,586	\$0	\$14,527	(761)	\$13,766
TWC ASSESSMENT			\$0		\$0
REVENUE RELATED TAXES	\$0	\$0	\$0		\$0
TOTAL OTHER TAXES	\$31,586	\$0	\$14,527	(761)	\$13,766
	1,022,337	0	453,109	(121,098)	332,011

SCHEDULE I(c) - FEDERAL INCOME TAXES

REVENUE REQUIREMENT	\$500,180
LESS:	
OPERATIONS AND MAINTENANCE	-\$318,245
DEPRECIATION AND AMORTIZATION	-\$82,442
OTHER TAXES	-\$13,766
INTEREST EXPENSE	-\$3,863
TAXABLE INCOME	\$81,863
TAXES @ FACTOR :	34%
SUB-TOTAL	\$27,834
LESS:	
SURTAX EXEMPTION :	-\$11,750
FEDERAL INCOME TAXES	\$16,084

ATTACHMENT EP-10

Attachment EP-11

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY *Preliminary - Subject To Change*Utility Name: DOUBLE DIAMOND UTILITIDocket Number: 36220-R (WATER) White Bluff

version: 20070403

5:51 PM

28-Apr-10

SCHEDULE I(d) - WEIGHTED COST OF CAPITAL

PAYEE	PRINCIPAL AS OF	INTEREST RATE	PERCENTAGE	WEIGHTED AVERAGE
	\$79,326	4.87%	11.19%	0.55%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
EQUITY	629,473	10.45%	88.81%	9.28%
TOTAL	\$708,799		100.00%	9.83%

compute the los

SCHEDULE I(e) - INVESTED CAPITAL & RETURN

	COMPANY AMOUNT (a)	STAFF ADJUST (b)=(c)-(a)	STAFF AMOUNT (c)
PLANT IN SERVICE		2,948,805	2,948,805
ACCUMULATED DEPRECIATION		968,310	968,310
NET PLANT		1,980,495	1,980,495
WORKING CASH ALLOWANCE		39,781	39,781
MATERIALS AND SUPPLIES		0	\$0.00
CUSTOMERS DEPOSITS		0	
INVESTMENT TAX CREDITS		0	
DCIAC		(1,311,477)	(1,311,477)
TOTAL INVESTED CAPITAL	0	708,799	708,799
RATE OF RETURN			9.83%
RETURN	168,914	-99,271	69,643

ATTACHMENT EP-11

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Attachment EP-12

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

0

Utility Name: DOUBLE DIAMOND UTILITIES CO
Docket Number: 36220-R (WATER)

version: 20070403

8:34 AM
29-Apr-10

RETURN 69,643
INTEREST 3,863 (TOTAL INVESTED CAPITAL * WEIGHTED AVERAGE LT DEBT)
TAXABLE INCOME 65,780

TAX CALCULATIONS FYE 07-01-87

RATE	BRACKET	SURTAX
15%	0 - 50,000	
25%	50,001 - 75,000	5,000
34%	75,001 - 100,000	11,750
39%	100,001 - 335,000	16,750
34%	335,001 -	

USE THE FOLLOWING RULE TO DETERMINE THE APPROPRIATE TAX BRACKET:
IF TAXABLE INCOME (RETURN - INTEREST) IS:

- 0 - 42,500 USE 15%
- 42,501 - 61,250 USE 25%
- 61,251 - 77,750 USE 34%
- 77,751 - 221,100 USE 39%
- 221,101 OR OVER USE 34%

INCOME RANGE	IF TAXABLE INCOME IS	THE TAX RATE IS	THE TAX INCLUDING THE SURTAX EXEMPTION IS	AND THE SURTAX EXEMPTION IS
0 - 42,500	0	0.00%	0	0
42,501 - 61,250	0	0.00%	0	0
61,251 - 77,750	65,780	34.00%	16,084	11,750
77,751 - 221,100	0	0.00%	0	0
221,100 -	0	0.00%	0	0
Total	65,780	34.00%	16,084	11,750

ATTACHMENT EP-12

Tax Calculation

Attachment EP-13

Printed on: 4/29/10 time: 11:23 AM

Applicant: Double Diamond Utilities
 Adjustments to Cost of Service
 Application No. 36220-R (Retreat)
 Test Year: Jan 1-Dec 31, 2007

Payee or Description	Amount	Salaries & Wages		Contract Labor		Purchase Water		Chem & Utilities		Repairs & Maint		Office Expense		Acctg, Legal, Engr.		Insu - rance		Misc.		P/R Taxes		Other Taxes		Other Income		
COS per application (Sch EP-3)	80,899	24,204	37	0	1,069	24,444	17,151	580	3,917	1,782	6,164	1,228	323	0	0	0	0	0	0	0	0	0	0	0	0	
Known & Measurable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total	80,899	24,204	37	0	1,069	24,444	17,151	580	3,917	1,782	6,164	1,228	323	0	0	0	0	0	0	0	0	0	0	0	0	
Retreat (6090), Staff Adjustments:																										
Reduce salaries for terminated employees	(23,762)	(23,762)																								
Reduce payroll burden for terminated employees	(836)																									
Add employees with 2008 W2s for K&M chnages	6,885	6,885																								
Add payroll burden for 2008 W2s for K&M chnages	674																									
8250 Prof fee	(1,215)														(1,215)											
8250 Prof fee	(1,067)														(1,067)											
8250 Prof fee	(210)														(210)											
8250 Prof fee	(2,400)														(2,400)											
8410 RM Eq	(742)																									
8421 Chem	(28)																									
8450 RM Wtr	(409)																									
8450 RM Wtr	(12,355)																									
Total Adjustment	(35,465)	(16,877)	0	0	(28)	0	(13,506)	0	(4,892)	0	0	(162)	0	0	0	0	0	0	0	0	0	0	0	0	0	
Net Adjusted Amount Staff	45,435	7,327	37	0	1,041	24,444	3,644	580	(975)	1,782	6,164	1,066	323													

EXHIBIT EP-317/3

Attachment EP-14

Printed on: 4/29/10 time: 11:23 AM

Applicant: Double Diamond Utilities
 Adjustments to Cost of Service
 Application No. 36220-R (The Cliffs/8090)
 Test Year: Jan 1-Dec 31, 2007

Payee or Description	Amount	Salaries & Wages	Contract Labor	Purchase Water	Chem & Treatment	Utilities	Repairs & Maint	Office Expense	Acctg Legal, Engr	Instr - rance	Misc.	P/R Taxes	Other Taxes	Other Income
COS per application (Sch EP-3)	488,305	98,301	3,633	10,846	5,001	27,961	209,927	5,122	18,674	10,005	83,326	13,055	2,454	0
Known & Measurable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	488,305	98,301	3,633	10,846	5,001	27,961	209,927	5,122	18,674	10,005	83,326	13,055	2,454	0
Cliffs (8090) Staff Adjustments:														
Reduce salaries for terminated employees	(57,640)													
Reduce payroll burden for terminated employees	(3,594)												(3,594)	
Add employees with 2008 W2s for K&M chnages	29,606	29,606												
Add payroll burden for 2008 W2s for K&M chnages	2,898												2,898	
Remove engr serv for upgrade/construction of water system, ultra filtration, etc	(28,025)								(28,025)					
8250 Prof fee 1/07 report	(1,012)								(1,012)					
8250 Prof fee Remove rate case exp for sewer	(1,067)								(1,067)					
8421 Chem Remove sewer chemicals	(1,449)				(1,449)									
8450 RM Wtr Remove RO rental	(19,484)						(19,484)							
8450 RM Wtr Remove exp for UF pilot study	(1,105)						(1,105)							
8450 RM Wtr Remove RO electric hook up	(860)						(860)							
8450 RM Wtr Reclass assets Ms Hawkins	(74,357)						(74,357)							
8450 RM Wtr Reclass assets staff -B Dickey	(44,759)						(44,759)							
8460 RM dist Reclass assets booster pump staff	(1,882)						(1,882)							
Total Adjustment	(202,710)	(28,034)	0	0	(1,449)	0	(142,427)	0	(30,104)	0	0	0	(896)	0
Net Adjusted Amount Staff	285,595	70,267	3,633	10,846	3,552	27,961	67,500	5,122	(11,430)	10,005	83,326	12,359	2,454	(9,622)

EXHIBIT EP-38 / 2

Attachment EP-15

Printed on: 4/29/10 time: 11:23 AM

Applicant: Double Diamond Utilities
 Adjustments to Cost of Service
 Application No. 36220-R (WB)
 Test Year: Jan 1-Dec 31, 2007

Payee or Description	Amount	Salaries & Wages	Contract Labor	Contract Water	Purchas Chem & Water	Treatm't Utilities	Repairs & Maint	Office Expense	Acctg Legal, Engr	Inst - rance	Misc.	P/R Taxes	Other Taxes	Other Income
COS per application (Sch EP-3)	453,109	106,853	2,787	0	0	3,980	79,843	3,860	6,183	16,693	57,738	11,498	3,029	(10,947)
Known & Measurable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	453,109	106,853	2,787	0	0	3,980	79,843	3,860	6,183	16,693	57,738	11,498	3,029	(10,947)
WB (9090) Staff Adjustments:														
Reduce salaries for terminated employees	(42,342)	(42,342)												
Reduce payroll burden for terminated employees	(9,929)											(3,929)		
Add employees with 2008 W2s for K&M chnages	32,360	32,360												
Add payroll burden for 2008 W2s for K&M chnages	3,168													
8120 Eqt lease backhoe 1/2*\$1,038: golf course	(519)										(519)			
8190 Other														
Contract Serv	(4,800)						(4,800)							
Remove ww engr service	(4,710)								(4,710)					
8250 Prof fee (\$5815+41105)	(1,067)								(1,067)					
Remove sewer rate case exp														
Remove 1/2 sewer for consulting engineer (\$2723/2)	(1,362)								(1,362)					
Reclass to assets Ms Harkins														
8450/60 RM W excluding \$38,362 for backhoe	(82,228)													
8450 RM W/r Remove pump sludge-sewer	(2,706)						(2,706)							
8450/60 RM W/Reclass to assets staff-Bickey	(12,763)						(12,763)							
8460 RM W/r Remove 50% for sewer locate	(200)						(200)							
Total Adjustment	(121,089)	(9,982)	0	0	0	0	(102,698)	0	(7,139)	0	(519)	(761)	0	0
Net Adjusted Amount Staff	332,010	96,871	2,787	0	3,980	79,843	57,947	3,860	(955)	16,693	57,219	10,737	3,029	(10,947)

EXHIBIT EP-15

Attachment EP-16

Double Diamond Utilities Co.
 Application for a Rate / Tariff Change, 36220-R (Water)
 Test Year End 12/31/2007
 Salary Schedules

Section II - Operational Information (Water)

Title	Name	Work Location	Job Description	No. of Hours Worked (Weekly)	Salary	Salary Unit	Hire Date	Termination Date	W-2's		Terminated		Application Water	Cliffs Water Allocation DDU-1H	Retreat Water Allocation DDU-1H	WB Water Allocation DDU-1H	
									2007	Water & Sewer	2007	W/2's					2008
Regional Director of Utilities	Henry Shearouse	Home Ofc	Oversee all utility operations, work with State, Federal, and Regulatory Agencies, Prepare Budgets and Reports	40	29.60	per Hour	5/29/2007	11/3/2008	33,593		13,593	55,005	(23,179)	(9,967)	(2,318)	(10,894)	
Regional Director of Utilities - Water	Terry Hater	Home Ofc	Oversee all water utility operations, work with State, Federal, and Regulatory Agencies, Prepare Budgets and Reports	40	35.58	per Hour	10/9/2006	5/1/2007	26,438		26,438	(26,438)	0.00	(18,243)	(7,844)	(1,824)	(8,574)
Regional Director of Utilities - Sewer (Term)	Pat Gibson	Home Ofc	Utility accounting, billing, cust serv, rev coll						34,885								
Regional Director of Utilities - Sewer (Term)	James Lyles	Home Ofc & Retreat	Oversee sewer utility operations, work with State, Federal, and Regulatory Agencies, Prepare Budgets and Reports	40	15.65	per Hour	8/18/2006	8/31/2007	21,798		121,798	(15,040)	(15,040)	(2,482)	(10,077)	(2,482)	
Utility Manager - The Retreat	Jane Westbrook	Retreat	Order Parts / Supplies, Schedule Daily Activities, Prioritize repairs and daily functions	40	12.53	per Hour	10/12/2007		5,107								
Utility Manager - The Cliffs	Donald Lewis	Cliffs	Order Parts / Supplies, Schedule Daily Activities, Prioritize repairs and daily functions	40	22.22	per Hour	11/7/2001		43,782								
Utility Manager - White Bluff	Richard Zink	WB	General labor / equipment operator, install taps and repair leaks, respond to customer calls	40	16.26	per Hour	2/14/2002		35,220								
Asst/Team Mechanic	Geogery Young	WB	General labor / equipment operator, install taps and repair leaks, respond to customer calls	40	8.82	per Hour	7/10/2007	10/11/2007	7,945		(7,945)	0.00	(5,482)			(5,482)	
Equipment Operator	Cody Clarend	WB	General labor / equipment operator, install taps and repair leaks, respond to customer calls	40	9.68	per Hour	9/25/2006	4/8/2009	20,499								
Utility Assistant	Michael Russell	Cliffs	General labor / equipment operator, install taps and repair leaks, respond to customer calls	40	15.66	per Hour	5/7/2007	5/9/2008	24,914		(24,914)	14,277	(17,191)	(17,191)	(2,756)	(2,756)	
Utility Assistant	Robert Bailey	Cliffs	General labor / equipment operator, install taps and repair leaks, respond to customer calls	40	13.97	per Hour	8/7/2006	2/12/2007	3,994		(3,994)	0.00	(2,756)	(2,756)	(2,756)	(2,756)	
Utility Assistant	Timothy Leggett	Cliffs	General labor / equipment operator, install taps and repair leaks, respond to customer calls	40	10.51	per Hour	9/13/2006	4/13/2007	7,693		(7,693)	0.00	(5,308)	(5,308)	(5,308)	(5,308)	
Utility Assistant	Raymond Hyden	Cliffs	General labor / equipment operator, install taps and repair leaks, respond to customer calls	40	10.15	per Hour	6/26/2007	5/9/2008	12,830		(12,830)	9,989	(8,853)	(8,853)	(8,853)	(8,853)	
Utility Assistant	Kim Harston	WB	General labor / equipment operator, install taps and repair leaks, respond to customer calls	40	9.88	per Hour	3/22/2005		21,939								

	DDU-22	Sewer Appl	Total	Water % vs Total water
Cliffs	244	490	734	33%
Retreat	60	50	110	28%
WB	562	180	742	7%
Total	866	720	1,586	55%

	DDU-22	Sewer Appl	Total	Water % vs Total water
DDU-22	244	490	734	33%
Sewer Appl	60	50	110	28%
Total	866	720	1,586	55%

EP-16

Job Title	Employee Name	Classification	Description	Hours	Rate	Start Date	End Date	Amount	Other	Total	Net	Other	Total	
Utility Assistant	Donald Haris	Cliffs	General labor / equipment operator, install taps and repair leaks, respond to customer calls	40	9.53	4/23/2007	6/25/2007	4,695	(4,695)	0.00	(3,239)	(3,239)		
Utility Operator	John Henderson	Retreat	General labor / equipment operator, install taps and repair leaks, respond to customer calls	40	9.80	8/13/2007	10/29/2007	13,368	(13,368)	0.00	(9,224)	(9,224)		
Utility Operator	Benjamin Austin	W/B	General labor / equipment operator, install taps and repair leaks, respond to customer calls	40	9.54	8/30/2006	5/30/2008	21,610	(21,610)	8,989	(14,911)	(14,911)		
Utility Operator	Jack Gore	Retreat	General labor / equipment operator, install taps and repair leaks, respond to customer calls	40	9.52	11/5/2007	11/19/2007	462	(462)	0.00	(319)	(319)		
Utility Operator	John Holmer	Retreat	General labor / equipment operator, install taps and repair leaks, respond to customer calls	40	9.50	12/27/2007	1/11/2008	922.69	(922.69)	923				
TOTAL								\$ 341,874	\$ (179,340)	\$ 74,142	\$ (123,744)	\$ (57,640)	\$ (23,762)	\$ (42,342)

Emp Name	Year	Description	Amount	Other	Total	Net	Other	Total
Gilvan, Dale	2008 only	disregard per email from Chris Ewert, 7/30/09	0.00	0.00	15,405			
Kadel, Paul	2007 only	disregard per email from Chris Ewert, 7/30/09	0.00	0.00	420			
Knapp, Cody	2007 only		24,423		22,944			
Leon, Monica	2008 only				4,325			
McCannell, Gary	2008 only				2,864			
McKinney, Donald	2008 only				4,568			
Moreno, Jeremy	2008 only				0.00			
O'Leary, Bradley	2008 only	disregard per email from Chris Ewert, 7/30/09	0.00	0.00	17,028			
O'Leary, Diane	2007 only	disregard per email from Chris Ewert, 7/30/09	0.00	0.00	4,355			
Terry, William	2008 only				27,876			
Valles, Donnie	2008 only				99,785			
Westbrooks, Lanel	2008 only							
TOTAL			\$ 24,423	\$ -	\$ 99,785			

- Note: Water allocation based on DPU's application of 69% water
- (a) Reduce salaries included in the Test Year but terminated in 2007 or 2008 (\$179,340 - 69%) water allocation \$ (123,744)
 - (b) Reduce corresponding Payroll Burden: 3.73% \$ (12,115)
 - (c) Add: 2008 W2s for employees hired in 2008 (69%*590,783) water allocation \$ 68,852
 - (d) Add: Corresponding payroll burden: 3.73% \$ 6,741

EXHIBIT EP-16

Attachment EP-17

Rate of Return Worksheet - *Refrest*

Step		<input type="checkbox"/>	%
		<input type="checkbox"/>	7.45
A	Most current Baa Public Utility Bond average. (Call TCEQ staff at 512/239-6960 to get this number.)		
B	Add 2% - for utilities with 200 or less customers <i>60 Connections</i>		2.0
C	Add 1% if the utility can demonstrate that it has both:		0
	1 Debt/equity ratio is greater than 60% (Table IV. D. - $\square \div \square$) AND		
	2 No affiliated companies with access to revenues or other funds to support utility operations		
D	Add 1% if the utility can demonstrate that it has at least 2 of the following 4 conditions:		0
	1 unstable population - Weekender/seasonal population: a. >25% of total customers, OR b. >10% of total customers and do not use seasonal reconnect fee;	1	
	2 commercial customers account for more than 15% of revenues	0	
	3 low growth a. less than 5% customer growth over the last three years; OR b. documentation of potential customer growth of less than 5% over the next three years; declining population <i>2006 47 +13 Ann or 22%</i> <i>2007 60</i>	0	
	4 aging system a. more than 50% depreciated; OR a. low rate base (<\$500/customer)	0	
E	Add 1% if the utility is a stand alone sewer system with no agreement for either billing and collection or discontinuance for nonpayment with the water supplier <i>NOT Applicable</i>		0
F	Add 1% if the utility can demonstrate that it has at least 3 of the 4 following conditions:		0
	1 Number of complaints 2 complaints or less per year to TCEQ for less than 200 customer system	0	
	2 No major deficiencies in the most recent PWS inspection report	0	
	3 No current or prior enforcement actions under current management within the last 3 years	0	
	4 Good faith efforts to solve any current problems	0	
G	Add 1% if the utility can demonstrate that it has at least 4 of the following 5 conditions:		1
	1 well-maintained, up-to-date books and records	1	
	2 effective communications and good customer relations	1	
	3 consistently timely in meeting reporting requirements (ex annual reports for last 3 years) and payment of fees	1	
	4 exhibit fiscal responsibility with respect to rate filings, including completeness, accuracy and frequency	1	
	5 Less than 12% unaccounted for water - (Section VIII of the Application - Page 16 of 41)		

Exhibit EP-170

H	Add 1% if the utility can demonstrate that it has at least 4 of the following 5 conditions:		
1	rate structure - any two of the following a. zero gallons included in minimum bill b. gallonage rate set high enough to encourage conservation (> \$2.00/1000 gal.) c. use of inclining blocks, i.e. higher use pays higher cost	*	
2	drought contingency plan included in tariff and enforced (if applicable)	1	
3	conservation plan including encouragement of the use of water conserving devices, efficient lawn watering, or xeriscaping	#	
4	program to educate the customers about the nature of the system, its production and distribution ability, PWS standards, and the need for water conservation	1	
5	unaccounted for water a. ≤ 10% and/or b. successful program to reduce losses (ex. leak detection & repair) (within last 3 years 25% reduction since program implemented)		
Total Rate of Return %			11.45

Rate of Return Worksheet - *The Cliffs*

Step		<input type="checkbox"/>	%
A	Most current Baa Public Utility Bond average. (Call TCEQ staff at 512/239-6960 to get this number.)	<input type="checkbox"/>	7.45
B	Add 2% - for utilities with 200 or less customers 244	<input type="checkbox"/>	0
C	Add 1% if the utility can demonstrate that it has both:	<input type="checkbox"/>	0
	1 Debt/equity ratio is greater than 60% (Table IV, D. - $\square + \square$) AND	<input type="checkbox"/>	
	2 No affiliated companies with access to revenues or other funds to support utility operations	<input type="checkbox"/>	
D	Add 1% if the utility can demonstrate that it has at least 2 of the following 4 conditions:	<input type="checkbox"/>	0
	1 unstable population - Weekender/seasonal population: a. >25% of total customers; OR b. >10% of total customers and do not use seasonal reconnect fee;	<input type="checkbox"/>	
	2 commercial customers account for more than 15% of revenues	<input type="checkbox"/>	
	3 low growth a. less than 5% customer growth over the last three years; OR b. documentation of potential customer growth of less than 5% over the next three years; declining population 2006 227 +17 connections or 2007 244 .0697%	<input type="checkbox"/>	
	4 aging system a. more than 50% depreciated; OR a. low rate base (<\$500/customer)	<input type="checkbox"/>	
E	Add 1% if the utility is a stand alone sewer system with no agreement for either billing and collection or discontinuance for nonpayment with the water supplier. <i>DO NOT APPLY</i>	<input type="checkbox"/>	0
F	Add 1% if the utility can demonstrate that it has at least 3 of the 4 following conditions:	<input type="checkbox"/>	0
	1 Number of complaints 2 complaints or less per year to TCEQ for less than 200 customer system	<input type="checkbox"/>	
	2 No major deficiencies in the most recent PWS inspection report	<input type="checkbox"/>	
	3 No current or prior enforcement actions under current management within the last 3 years	<input type="checkbox"/>	
	4 Good faith efforts to solve any current problems	<input type="checkbox"/>	
G	Add 1% if the utility can demonstrate that it has at least 4 of the following 5 conditions:	<input type="checkbox"/>	1.0
	1 well-maintained, up-to-date books and records	<input checked="" type="checkbox"/>	
	2 effective communications and good customer relations	<input checked="" type="checkbox"/>	
	3 consistently timely in meeting reporting requirements (ex. annual reports for last 3 years) and payment of fees	<input checked="" type="checkbox"/>	
	4 exhibit fiscal responsibility with respect to rate filings, including completeness, accuracy and frequency	<input checked="" type="checkbox"/>	
	5 Less than 12% unaccounted for water - (Section VIII of the Application - Page 16 of 41)	<input checked="" type="checkbox"/>	

(2)

H	Add 1% if the utility can demonstrate that it has at least 4 of the following 5 conditions.	1
1	rate structure - any two of the following a. zero gallons included in minimum bill b. gallonage rate set high enough to encourage conservation (> \$2.00/1000 gal.) c. use of inclining blocks, i.e. higher use pays higher cost	1
2	drought contingency plan included in tariff and enforced (if applicable)	1
3	conservation plan including encouragement of the use of water conserving devices, efficient lawn watering, or xeriscaping	1
4	program to educate the customers about the nature of the system, its production and distribution ability, PWS standards, and the need for water conservation	1
5	unaccounted for water a. $\leq 10\%$ and/or b. successful program to reduce losses (ex. leak detection & repair) (within last 3 years 25% reduction since program implemented)	0
I	Total Rate of Return %	9.45

Rate of Return Worksheet - WB

Step		<input type="checkbox"/>	% R.O.U.
A	Most current Bas Public Utility Bond average. (Call TCEQ staff at 512/239-6960 to get this number)		
B	Add 2% - for utilities with 200 or less customers 562		0
C	Add 1% if the utility can demonstrate that it has both:		0
	1 Debt/equity ratio is greater than 60% (Table IV. D. - $\square \div \square$) AND		
	2 No affiliated companies with access to revenues or other funds to support utility operations		
D	Add 1% if the utility can demonstrate that it has at least 2 of the following 4 conditions:		1.0
	1 unstable population - Weekender/seasonal population: a. >25% of total customers; OR b. >10% of total customers and do not use seasonal reconnect fee;	1	
	2 commercial customers account for more than 15% of revenues	0	
	3 low growth a. less than 5% customer growth over the last three years; OR b. documentation of potential customer growth of less than 5% over the next three years; declining population 2006 - 553 2007 - 562 + 9 km or 2%	1	
	4 aging system a. more than 50% depreciated; OR a. low rate base (<\$500/customer)	0	
E	Add 1% if the utility is a stand alone sewer system with no agreement for either billing and collection or discontinuance for nonpayment with the water supplier. NIA		0
F	Add 1% if the utility can demonstrate that it has at least 3 of the 4 following conditions:		0
	1 Number of complaints 2 complaints or less per year to TCEQ for less than 200 customer system		
	2 No major deficiencies in the most recent PWS inspection report		
	3 No current or prior enforcement actions under current management within the last 3 years		
	4 Good faith efforts to solve any current problems		
G	Add 1% if the utility can demonstrate that it has at least 4 of the following 5 conditions:		1.0
	1 well-maintained, up-to-date books and records	1	
	2 effective communications and good customer relations	1	
	3 consistently timely in meeting reporting requirements (ex annual reports for last 3 years) and payment of fees	1	
	4 exhibit fiscal responsibility with respect to rate filings, including completeness, accuracy and frequency	1	
	5 Less than 12% unaccounted for water - (Section VIII of the Application - Page 16 of 41)		

(3)

H	Add 1% if the utility can demonstrate that it has at least 4 of the following 5 conditions.		10
	1	rate structure - any two of the following a. zero gallons included in minimum bill b. gallonage rate set high enough to encourage conservation (> \$2.00/1000 gal.) c. use of inclining blocks, i.e. higher use pays higher cost	1
	2	drought contingency plan included in tariff and enforced (if applicable)	1
	3	conservation plan including encouragement of the use of water conserving devices, efficient lawn watering, or xeriscaping	1
	4	program to educate the customers about the nature of the system, its production and distribution ability, PWS standards, and the need for water conservation	1
	5	unaccounted for water a. $\leq 10\%$ and/or b. successful program to reduce losses (ex. leak detection & repair) (within last 3 years 25% reduction since program implemented)	1
I	Total Rate of Return %		10.45

Rate of Return Worksheet - *Lehrer + White Buff*

Step		<input type="checkbox"/>	%
A	Most current Bas Public Utility Bond average. (Call TCEQ staff at 512/239-6960 to get this number.)		7.45
B	Add 2% - for utilities with 200 or less customers <i>622 customers</i>		2
C	Add 1% if the utility can demonstrate that it has both:		1
	1 Debt/equity ratio is greater than 60% (Table IV. D. - $\square + \square$) AND		
	2 No affiliated companies with access to revenues or other funds to support utility operations		
D	Add 1% if the utility can demonstrate that it has at least 2 of the following 4 conditions:		1.0
	1 unstable population - Weekender/seasonal population: a. >25% of total customers; OR b. >10% of total customers and do not use seasonal reconnect fee;	1	
	2 commercial customers account for more than 15% of revenues	1	
	3 low growth a. less than 5% customer growth over the last three years; OR b. documentation of potential customer growth of less than 5% over the next three years; declining population <i>2006 - 47 + 553 = 600</i> <i>2007 - 60 + 562 = 622 4 22 or 4%</i>	1	
	4 aging system a. more than 50% depreciated; OR a. low rate base (<\$500/customer)	1	
E	Add 1% if the utility is a stand alone sewer system with no agreement for either billing and collection or discontinuance for nonpayment with the water supplier.		1
F	Add 1% if the utility can demonstrate that it has at least 3 of the 4 following conditions:		1
	1 Number of complaints 2 complaints or less per year to TCEQ for less than 200 customer system		
	2 No major deficiencies in the most recent PWS inspection report		
	3 No current or prior enforcement actions under current management within the last 3 years		
	4 Good faith efforts to solve any current problems		
G	Add 1% if the utility can demonstrate that it has at least 4 of the following 5 conditions:		1.0
	1 well-maintained, up-to-date books and records	1	
	2 effective communications and good customer relations	1	
	3 consistently timely in meeting reporting requirements (ex. annual reports for last 3 years) and payment of fees	1	
	4 exhibit fiscal responsibility with respect to rate filings, including completeness, accuracy and frequency	1	
	5 Less than 12% unaccounted for water - (Section VIII of the Application - Page 16 of 41)		

(4)