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**PUC DOCKET NO. 44236
SOAH DOCKET NO. 473-15-4944.WS**

**APPLICATION OF CUSTOM WATER
COMPANY, LLC FOR A RATE/TARIFF
CHANGE**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

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COMMISSION STAFF'S LIST OF ISSUES

COMES NOW the Staff of the Public Utility Commission of Texas, representing the public interest and files this List of Issues:

I. BACKGROUND

On January 12, 2015, Custom Water Company, LLC filed an application for a rate/tariff change with a proposed effective date of March 20, 2015.¹

The Order of Referral, issued on July 27, 2015, stated that Custom Water shall, and Staff and any other interested party may, file by August 17, 2015 with the Commission a list of issues to be addressed in this docket. Therefore, this list of issues is timely filed.

II. LIST OF ISSUES TO BE ADDRESSED

Staff recommends that the following issues be addressed in this proceeding:

1. What are the just and reasonable rates for Custom Water 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 Custom Water 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

¹ Customer Water Company's Application at 33 (Jan. 12, 2015).

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integrity of the utility pursuant to TWC § 13.183(a) and 16 Tex. Admin. Code (TAC) § 24.32(a)?

3. What is the reasonable and necessary cost of providing water service calculated in accordance with 16 TAC § 24.31?
4. What adjustments, if any, should be made to Custom Water's proposed test-year data pursuant to TWC § 13.185(d)(1) and 16 TAC § 24.31(b)?
5. What is the appropriate debt-to-equity capital structure of Custom Water?
6. What is the appropriate overall rate of return, return on equity, and cost of debt for Custom Water pursuant to 16 TAC § 24.31(c)(1)?
7. What are the reasonable and necessary components of Custom Water's invested capital pursuant to 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 pursuant to TWC § 13.185(b) and 16 TAC § 24.31(c)(2)(A) and (B)?
9. Does Custom Water have any water or sewer property that was acquired from an affiliate or a developer before September 1, 1976 that is included in rate base? If so, has such property been included in all ratemaking formulas at the actual cost of the property rather than the price set between the entities? TWC § 13.185(i).
10. Has Custom Water acquired any water or sewer property from an affiliate? If so, do the payments for that property meet the requirements of TWC § 13.185(e)?
11. Has Custom Water financed any of its plant with developer contributions? If so, how much?
12. Has Custom Water included any customer contributions or donations in invested capital? If so, how much?

13. What is the proper amount, if any, of accumulated depreciation on the Custom Water's water and sewer property?
14. Is Custom Water seeking the inclusion of construction work in progress? If so, what is the amount sought and for what facilities? Additionally, has Custom Water proven that the inclusion is necessary to its financial integrity and that major projects under construction have been efficiently and prudently planned and managed? TWC § 13.185(b) and 16 TAC § 24.31(c)(3)(B).
15. What is the reasonable and necessary working capital allowance for Custom Water pursuant to 16 TAC § 24.31(c)(2)(C)?
16. Does Custom Water have any debt, and, if so, what is the cost of that debt?
17. What are Custom Water's reasonable and necessary operations and maintenance expenses pursuant to 16 TAC § 24.31(b)(1)(A)?
18. Were any payments made to an affiliate for expenses? If so, do those payments meet the requirements of TWC 13.185(e)?
19. What are Custom Water's reasonable and necessary administrative and general expenses?
20. 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 16 TAC § 24.31(b)(1)(B).
21. What is the reasonable and necessary amount for assessment and taxes, other than federal income taxes? 16 TAC § 24.31(b)(1)(C).
22. What is the reasonable and necessary amount for Custom Water's federal income tax expense? 16 TAC § 24.31(b)(1)(D) and, if applicable, TWC § 13.185(f):
 - a. Is Custom Water 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 Custom Water realized its fair share of the savings resulting from the consolidated return? TWC § 13.185(f).
 - c. If not, has Custom Water demonstrated that it was reasonable not to consolidate returns? TWC § 13.185(f).
23. Is Custom Water seeking rates for both water and sewer service? If so, is the revenue requirement properly allocated between water and sewer services?
24. What is the appropriate allocation of the revenue requirement among rate classes?
25. What is the appropriate rate design for each rate class?
26. What are Custom Water's reasonable and necessary expenses incurred in this rate proceeding?
27. If a refund or surcharge results from this proceeding, how and over what period of time should that be made? TWC § 13.187.
28. Has any party 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? 16 TAC § 24.29.

What is the appropriate effective date of the rates fixed by the Commission in this proceeding pursuant to TWC § 13.187?

III. CONCLUSION

Staff respectfully requests the entry of an order consistent with the above.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on August 17, 2015 in accordance with 16 TAC § 22.74.



Katherine Lengieza Gross