



Control Number: 44809



Item Number: 28

Addendum StartPage: 0

DOCKET NO. 44809

APPLICATION OF QUADVEST, L.P.  
FOR A RATE/TARIFF CHANGE

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PUBLIC UTILITY COMMISSION  
OF TEXAS

QUADVEST, L.P.'S RESPONSES TO COMMISSION STAFF'S  
FIRST REQUEST FOR INFORMATION AND REQUEST  
FOR ADMISSIONS TO QUADVEST, L.P.  
QUESTION NOS. STAFF 1-1 THROUGH STAFF 1-63

To: Commission Staff by and through their attorneys of record, Margaret Uhlig Pemberton,  
Karen S. Hubbard, Alexander Petak, Public Utility Commission of Texas, 1701 N.  
Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326.

COMES NOW, Quadvest, L.P. ("Quadvest"), by and through their attorney of record,  
respond to Commission Staff's First Request for Information and Request for Admissions,  
Question Nos. Staff 1-1 through Staff 1-63.

Respectfully submitted,

COZEN O'CONNOR

By: Tammy Wavle Shea  
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*by permission Debra Ellis*

ATTORNEYS FOR QUADVEST, L.P.

## CERTIFICATE OF SERVICE

On this the 30<sup>th</sup> day of November, 2015, a true and correct copy of Quadvest, L.P.'s Responses to the Commission Staff's First Request Request for Information and Request for Admissions was served upon all parties of record via facsimile, email and/or U.S. mail, postage paid.

/s/ Tammy Wavle Shea

Tammy Wavle Shea

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-1**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-1** Reference the rate filing application, page 4, "CCN 11612 – Water Systems I Subdivisions Served" (referenced spreadsheet), indicate the following:

- a) Provide a list of the water systems/subdivisions on the referenced spreadsheet that have no customers served by Quadvest as of the end of the test year;
- b) Provide a list of the water systems I subdivisions on the referenced spreadsheet that have no customers served by Quadvest as of the date of response to this question;
- c) Has Quadvest included any expenses or plant in the rate application for systems with no current customers?

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** a) Grande San Jacinto, Rancho San Vicente, Magnolia Reserve, Rancho San Vicente, Texas Grande Ranch, & Waypoint Landing.  
b) Grande San Jacinto, Magnolia Reserve, & Texas Grande Ranch.  
c) No plant related to these subdivisions were included in calculation of rate base. The application does include ~\$2,250 related to Grande San Jacinto, noting the majority of this expense relates to publication of CCN notification.

**PREPARER:**

Jeff Eastman

**SUPPORTING WITNESS:**

Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-2**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-2** Reference the rate filing application, page 8 (Bates page 10), please provide original cost, accumulated depreciation, developer or customer contributions in aid of construction, and annual depreciation for all assets that serve the water systems I subdivisions listed in response to RFI #1.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See electronic WP – “Staff 1-2 (Assets, DCIAC & CIAC)”

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-3**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

- Staff 1-3** Reference the rate application, Appendix 1, Executive Summary, first page, line 16 through second page, line 8:
- a) Of the \$6 million in new capital improvements referenced, please indicate the potential new connections by meter size for each project, and how many actual connections for each project are included in the current rate filing application.
  - b) The second page, line 16-18 states "Years of experience, value engineering/design, and limited overhead costs allow Quadvest Construction to provide such services at a lower than market rate". Please provide any documentation supporting the statement that Quadvest Construction charges Quadvest LP a lower than market rate.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** a) See WP "Staff 1-3 (Connections)"  
b) See CONFIDENTIAL WP "Staff 1-3 (Quadvest Construction Market Analysis)"

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-4**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-4** Provide a copy of Quadvest's capitalization policy.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See WP – "Staff 1-4 (Capitalization Policy)"

**PREPARER:**

Jeff Eastman

**SUPPORTING WITNESS:**

Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-5**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-5** If the capitalization policy has changed in the past five years, please provide all prior capitalization policies and reasoning behind any change.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** No policy change in past 5 years.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015



**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-6**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-6** Pursuant to 16 TAC § 24.21(m), please provide evidence showing that the systems which Quadvest is proposing to be charged under one tariff are substantially similar in terms of the following:

- a) Facilities;
- b) quality of service;
- c) cost of service;
- d) also provide evidence showing that the proposed tariff provides for rates that promote water conservation for single-family residences and landscape irrigation.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See WP "Staff 1-6 (Regional System Support)"

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-7**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-7** Please provide the amounts by Quadvest account name and number of any and all expenditures, for which a portion of the expenditure was capitalized for the test year and one year prior to the test year. Please provide the total account expense and the amount capitalized.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See electronic WP – “Staff 1-7 (Capital Expenditures 2013 to 2014)”.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-8**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-8** Please provide a list of perquisites for Quadvest employees by employee or position, including Quadvest account name and number in which the perquisite expense is recorded, name of the perquisite, and amount included in the cost of service for the test year.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See CONFIDENTIAL WP – “Staff 1-8 (Perquisites)”. Please note the file includes "perquisites" received by all employees, noting that the majority of the dollars summarized are required in order for the employee to perform his/her job. For example, an operator's truck, his associated fuel, and cell phone would all be required to accomplish his daily duties. These expenses are recorded to the following accounts: 6500, 6645, 6655, 6102, and 6300.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-9**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-9** Please provide a detailed list of projects included in repairs and maintenance for projects costing more than \$4,500. Please include the amount of the project included, the project accounting code and name, indicate if the project is complete and/or recurring, and a specific description of the project.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See WP – “Staff 1-9 (R&M Projects)”. Please note the list provided is a list of water related R&M invoices greater than \$4,500 during test year, noting QV does not group invoices by project.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-10**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-10** Please provide the accounting entries that recorded all purchased water systems or companies in the past ten years. Please indicate the treatment of any difference in purchase price and original cost (acquisition adjustment).

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See CONFIDENTIAL WP – “Staff 1-10 (Purchase Entries)” QV purchased 3 small systems during past 10 years.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-11**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-11** Is Quadvest requesting recovery of any of the following:

- a) social dues;
- b) charitable contributions;
- c) advertising expense;
- d) legislative advocacy expenses;
- e) professional trade association dues;
- f) expenses in support of political candidates;
- g) expenses supporting political movements;
- h) expenses supporting political or religious causes;
- i) expenses supporting or for membership in social, recreational, fraternal or religious clubs or organizations;
- j) If the answer is yes to any of the previous questions 10.a. through 10.i., identify and quantify these amounts, provide the Quadvest account number, and indicate where these amounts are presented within the application.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See WP "Staff 1-11 (Dues & Subscriptions). QV is requesting approximately 26K in professional / industry dues and subscriptions. These costs are recorded in account 6300, which consolidates to "Office Expense" line item on rate case application's revenue requirement worksheet. QV is not requesting recovery of contributions, political or religious support donations or advertising expenses.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman  
**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-12**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-12** What is Quadvest's materiality threshold for accounting purposes? Please provide the calculation.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** OV's third party auditors have indicated that de minimus misstatements of more than \$500 individually will be brought to our attention during our annual audit. QV does not establish its own materiality threshold for general accounting purposes.

**PREPARER:**

Jeff Eastman

**SUPPORTING WITNESS:**

Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-13**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-13** Please provide a list of automobiles included in Quadvest's plant and equipment by make, model, year and cost. Please also indicate the position or employee that uses the automobile.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See WP "Staff 1-13 (Automobile)".

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015



**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-14**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-14** Please provide the company's policy with regard to accounting for personal use of automobiles and commuting miles. Please provide any supporting documents which reflect reductions in the cost of service for personal use and/or commuting miles.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** It is QV's policy that all company owned vehicles shall be used for company business only. As a result, QV does not separate personal use of automobiles or commuting miles out of requested cost of service.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-15**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**Staff 1-15** Provide a copy of any internal and external audit reports completed for Quadvest since January 2014 by its internal and external auditors.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See " CONFIDENTIAL Staff 1-15 (Quadvest 2014-2013 Audit Report)". No internal audits were conducted during this time period.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-16**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-16** Has the company experienced any reductions in work force since the end of the test year or does the Company anticipate any reductions in force in 2016? If yes, please describe and quantify.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** No, QV has not experienced a reduction in work force since the end of the test year nor does it anticipate a reduction in 2016. QV's 2016 operation plan calls for an additional 4 employees by the end of 2016 with an associated annual cost of more than \$200,000.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-17**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-17** Does the Company's requested cost of service include any amounts for moving allowances, signing bonuses, or severance packages? If so, please specify by type, amount, NARUC account, and whether the amounts were directly incurred or allocated from an affiliate.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** QV's has not included moving allowances, signing bonuses, or severance packages in its requested cost of service.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-18**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-18** Please provide the Quadvest FICA Form 941 for all quarters during and subsequent to the test year. Please update this response as additional quarterly reports are filed.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See WP – “CONFIDENTIAL Staff 1-18 (Quadvest 941s)”.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-19**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-19** For all affiliates and shared employees or contract personnel of Quadvest, provide the salary or compensation paid by Quadvest and by the affiliate(s) to the employee for the test year and one year prior. If not previously provided, also provide a breakdown of hours spent by the employee or contract labor personnel for the test year and one year prior to the test year.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** QV conducted a representative time study from March 2015 thru April 2015 and has allocated shared employees/cost accordingly. QV polled employees to determine whether this time period was representative of the full twelve month period and confirmed that it was a reliable representation of employee time spent on various affiliates. Please see the "Affiliate Allocations Report" included in rate case application for further details.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-20**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-20** Please provide all invoices and receipts for property taxes paid included in the test year.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See WP – “Staff 1-20 (Property Tax Invoices For Test Year)”.

**PREPARER:**

Jeff Eastman

**SUPPORTING WITNESS:**

Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-21**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-21** Please provide the amount of Texas property taxes that are due in January 2016.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** QV property tax payments in January 2016 will be approximately \$155,000.

**PREPARER:**

Jeff Eastman

**SUPPORTING WITNESS:**

Jeff Eastman

**Date Provided:** 11/30/2015



**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-22**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-22** Has Quadvest protested its Texas property tax or the related appraisal for the test year? If yes, please provide the results of such protest.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** QV did not protest any of its Texas property tax assessments as it relates to the test year.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-23**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-23** Please provide the methodology and calculations for amortizing customer and developer contributions in aid of construction (accounts 2700-2715).

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** Quadvest records the assets contribution from customer/developer to Plant In Service and CIAC (2700 – 2715). The CIAC account and related Plant In Service accounts are amortized/depreciated over the useful life of the assets using TCEQ's system of accounts as a guide.

**PREPARER:**

Jeff Eastman

**SUPPORTING WITNESS:**

Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-24**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-24** Provide a copy of Quadvest's complete audited financial statements for the test year and one year prior to the test year. If audited financial statements do not exist, please provide internally produced financial statements including income statement, balance sheet and statement of cash flows. Include a description of the basis for the financial statements (e.g., generally accepted accounting principles or other).

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See "CONFIDENTIAL Staff 1-15 (Quadvest 2014-2013 Audit Report)" & "Staff 1-24 (Ranch Utilities Financials)". QV also included Ranch Utilities financials due to the fact that the rate application combines both Quadvest and Ranch Utilities' cost of service due to the fact that the Caddo Village subdivision has been transferred to Quadvest (Caddo Village STM file prior to filing of rate case application) and the remaining Sugartree subdivision (100% sewer system) is currently pending sale. The Ranch Utilities financials statements are unaudited.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-25**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-25** Provide a reconciliation from Quadvest's financial statements provided in the previous request to the rate filing application by account name and number.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See WP – “CONFIDENTIAL Staff 1-25 (Financial Reconciliation)” along with confidential "WP - Test Year P&L - Fully Allocated (Water & Sewer)" on pages 2.1 & 2.2 in rate case application for further clarification on reconciling financial records to requested cost of service. Quadvest (QV) and Ranch Utilities (RU) were combined together for rate making purposes, see response Staff 1-24 above.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-26**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-26** Provide a copy of the comparative income statement, balance sheet, and statement of cash flows for each affiliate listed in the application for the test year and one year prior to the test year.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See WP "CONFIDENTIAL Staff 1-26 (Affiliate Financial Statements)". Please note our management group does not generate statements of cash flows for unaudited affiliate companies, therefore not include in the information provided.

**PREPARER:**

Jeff Eastman

**SUPPORTING WITNESS:**

Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-27**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-27** Provide the detailed chart of accounts used by Quadvest in its accounting functions.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See WP "Staff 1-27 (Chart of Accounts)".

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-28**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-28** Provide a copy of the Quadvest's general journal, including closing and adjusting journal entries for the test year and one year prior to the test year.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** Please see working trial balances provided in Staff 1-29 below.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-29**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-29** Provide a copy of the working trial balance with adjusting journal entries for the test year end, and for the year immediately preceding the test year.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See CONFIDENTIAL WP "Staff 1-29 (Trial Balances For 2013 & 2014)". Please note that both the working trial balances for both Quadvest and Ranch Utilities has been provided for FY2013 and FY2014. Please note that QV does not track adjusting journals separately, therefore final trial balances (including adjusting journal entries) have been provided.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015



**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-30**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-30** Provide an electronic copy of Quadvest's detailed general ledger for the test year.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See CONFIDENTIAL WP "Staff 1-30 (QV 2014 General Ledger)" & "Staff 1-30 (RU 2014 General Ledger)".

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-31**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-31** Please provide functioning electronic spreadsheet copies of all schedules and exhibits included in the application and each witness's testimony to the extent not already provided.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See CONFIDENTIAL WP "Staff 1-31 (Electronic Application Files) - Multiple".

**PREPARER:**

Jeff Eastman

**SUPPORTING WITNESS:**

Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-32**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-32** Provide a copy of the Applicant's federal income tax return for the test year, or the tax return on which the Applicant's income and expenses were recorded.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See WP " CONFIDENTIAL Staff 1-32 (2014 QV Federal Tax Returns)".

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-33**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

- Staff 1-33** Referencing Tex. Water Code Ann. § 13.185 (f):
- a) Is Quadvest a member of an affiliated group that is eligible to file a consolidated income tax return?
  - b) Is it advantageous to the utility to file a consolidated tax return?
  - c) Please provide a computation of the taxes based on a consolidated return and any savings resulting from doing so.
  - d) If the Applicant is claiming it is reasonable to choose not to consolidate returns, provide specific evidences supporting that claim.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** QV and RU are both non-corporate "pass thru" entities (i.e. limited partnerships), thus cannot elect to file a consolidated corporate tax return.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-34**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-34** Provide all detailed invoices for rate all rate case expenses incurred for this application as requested in the application, and after the application was filed with the commission.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** As of current, QV has incurred over 120,000 in rate case related expenses, noting this is already in excess of that included in rate application. See detail of such expenses on WP "Staff 1-34 (Rate Case Expense Invoices)".

**PREPARER:**

Jeff Eastman

**SUPPORTING WITNESS:**

Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-35**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-35** Provide a copy of all contracts for services between affiliates.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** QV and QC enter into signed construction contracts on a project by project basis, see example construction contract on CONFIDENTIAL WP "Staff 1-35 (Construction Contract Example)".

**PREPARER:**

Jeff Eastman

**SUPPORTING WITNESS:**

Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-36**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-36** Please provide the current O&M and capital expenditure budgets for the Applicant, including detailed information on projects included in the budgets.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See WP "Staff 1-36 (2016 Planned Capital Expenditures and Major R&M)".

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-37**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

- Staff 1-37** Pursuant to the Texas Water Code §13.185 (e) (TWC) regarding affiliated transactions and TWC §13.185(h) (3), provide the following:
- a) A list of all affiliates as defined by TWC §13.002(2), if not previously provided in appendix 3 of the application;
  - b) A complete list of all costs charged to the Applicant by any affiliate, including the account name (category) and number, amount charged, and affiliate name for the test year and one year prior to the test year, if not previously provided in appendix 3 of the application;
  - c) A complete list of all affiliated costs included in the Applicant's fixed assets, by individual asset.
  - d) Evidence and justification that the price to the Applicant is no higher than prices charged by the supplying affiliate to its other affiliates or divisions for the same item or items, or to unaffiliated persons or corporations;
  - e) Evidence and justification that the salaries and contract labor expense levels are necessary and reasonable to provide sewer service subject to this application.

**REQUESTED BY:** Public Utility Commission of Texas

- RESPONSE:**
- a) Please refer to Appendix 3 page 1 and 2 (Bates 125-126) provided in the Company's Application for a complete list of all affiliates.
  - b) Please see attached Excel files and PDFs of the work papers supporting the Affiliate Allocations reflected for the test year: CONFIDENTIAL "Response to Staff 1-37 b) – Affiliate Allocations" (Excel), CONFIDENTIAL "Response to CONFIDENTIAL Staff 1-37 b) Rent Allocation Workpaper" (PDF), and CONFIDENTIAL "Response to Staff 1-37 b) Rent Allocation WP2" (Excel). Affiliate allocations were not made in the prior year.
  - c) Please see the attached Excel file CONFIDENTIAL "Response to Staff 1-37 c) Detail of Common Plt Allocated". This worksheet details the Common Plant removed and presented in Appendix 5, WP 5.2, Bates 185.



- d) The vast majority of the affiliate costs are shared office/overhead and payroll/overhead type costs. It would be difficult to find similar services or cost sharing arrangements with unaffiliated persons or corporations in which to conduct a comparison or study. Quadvest does not markup any costs shared or charged to its affiliates. Quadvest does pay rent to its affiliate Sequeira Properties LP and commissioned a Third Party Rental Market Analysis provided as Appendix 4 of the Application. As a result of this study, Quadvest adjusted its rent expense downward to better reflect market conditions as of the test year and exclude the affiliates share. The details of the rent adjustment can be found in Appendix 5, WP 5.1, Bates 184. Additionally, Quadvest affiliate, Quadvest Construction LP (QVC), constructs the majority of Quadvest's utility systems plant and underground assets. QVC provides construction services to non-affiliate third parties as well. QVC charges Quadvest Utility at below market rates. Finally, see our response to Staff 1-3 for further support of QVC's ability to provide below market rate construction services to QV.
- e) There are no affiliate transactions for contract labor and salaries related to sewer service and please refer to the salary survey provided with the confidential payroll information.

**PREPARER:**

Chuck Loy

**SUPPORTING WITNESS:**

Chuck Loy

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-38**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-38** Reference "Table 1, QVU Time Writing Data" on Bates page 129 attached to the Application, is the data in this table consistent with time spent in the "Class or Dept" in years prior to the test year? If not please explain.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** Yes

**PREPARER:**  
Chuck Loy

**SUPPORTING WITNESS:**  
Chuck Loy

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-39**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-39** Provide all workpapers supporting "Table 2, Primary cost drivers used in the separation of QVC costs from QVU" on Bates page 131 attached to the application.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** Please see the work papers provided in the Company's response to 1-37 b) above.

**PREPARER:**  
Chuck Loy

**SUPPORTING WITNESS:**  
Chuck Loy

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-40**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-40** If any trending studies or other estimates of original cost of any plant claimed in the application have been made, provide a copy of such studies, including assumptions and calculations.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** No trending studies or other estimates of original costs have been performed since our last water rate case submission. However, QV did perform trending studies to support its 2002 rate case application, see WP "Staff 1-40 (FY2002 Trending Studies)".

**PREPARER:**

Chuck Loy

**SUPPORTING WITNESS:**

Chuck Loy

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-41**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-41** Provide a list of all acronyms on the row "Class or Dept" included in "Table 1, QVU Time Writing Data" on Bates page 129 attached to the application.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** QVU- Quadvest Utilities; QL- Quadlease; SP- Sequeira Properties; QC- Quadvest Construction; STP- South Texas Development; CD- Cotulla Development; TWP- Texas Alliance of Water Providers. Please note a high level summary of each of these entities is included on first two pages of "Quadvest Utility Affiliate Cost Allocation Report" included in rate case application.

**PREPARER:**  
Jeff Eastman

**SUPPORTING WITNESS:**  
Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-42**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-42** Please explain why no hours are allocated for "QL, SP, QC, STP, CD, TWP" with regard to "Owner/Exec", "Owner/Exec (PT)" rows of the "Table 1, QVU Time Writing Data" on Bates page 129 attached to the application.

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** The Owner/Exec with 100% time allocated to QVU is our HR Manager whom handles only QVU employee issues/tasks. The Owner/Exec (PT) position with 1 hour allocated to SP is our part time chairman, noting when he is in office he focuses his efforts on QVU issues.

**PREPARER:**

Jeff Eastman

**SUPPORTING WITNESS:**

Mandi Brown

Gary Sequeira

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-43**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-43** Reference rate application section 5, WP/4.1:

- a) ADJUSTMENT 1: Please provide a written explanation including calculations for the column "Future Annual Depreciation Expense" and "Depreciation Normalization adjustment";
- b) ADJUSTMENT 1: Identify any assets which are included for depreciation purposes, but not placed in service by the end of the test year. Include the Quadvest account number in which the asset original cost is included, the name of the asset, and the date the asset was placed in service after the test year, and the amount of depreciation for that asset included in the cost of service.
- c) ADJUSTMENT 2: Provide all supporting documentation for all rate case expenses claimed. Include detailed invoices with detailed hours of service, type of service, specific issues and work completed, and all expenses listed with supporting invoices for any expenses charged.
- d) ADJUSTMENT 3: Please indicate if any of the facilities for which Quadvest is paying rent were ever owned by Quadvest. If yes, please provide the journal entry and contract for the transfer of the facilities from Quadvest to the current owner.
- e) ADJUSTMENT 4: Please provide all documentation supporting the increase in premium effective September 2014.
- f) ADJUSTMENT 5: Please provide all documentation supporting the increase to chemicals effective January 2015. Please also provide the total amount incurred subject to this increase for chemicals from January 2015 to October 2015.
- g) ADJUSTMENT 6: Please indicate when the AMR project was completed and the total amount of the project.
- h) ADJUSTMENT 6: Please indicate the actual cost savings to the customers produced within the cost of service by this project.
- i) ADJUSTMENT 6: Also provide an explanation as to why the increase of \$207,041 in depreciation is reasonable when it is only offset by a decrease in 3rd party meter reading expense of \$82,149.

- j) ADJUSTMENT 7: Please provide all calculations supporting the salary/wage adjustment.

**REQUESTED BY:** Public Utility Commission of Texas

- RESPONSE: a) ADJUSTMENT 1: The "Future Annual Depreciation Expense" was calculated by taking test year assets and obtaining FY2015 depreciation for those same assets (using our Fixed Asset Management system). The difference between "Test Year Depreciation" and "Future Annual Depreciation Expense" results in the "Depreciation Normalization Adjustment".
- b) ADJUSTMENT 1: All non used and useful assets (as of end of test year) have been excluded from rate base and cost of service (depreciation) calculations. This adjustment does not include any post-test year asset additions or associated depreciation.
- c) ADJUSTMENT 2: See support provided in response to Staff 1-34, noting QV is currently in excess of amount requested in rate case (~15K).
- d) ADJUSTMENT 3: No facilities that QV currently pay rent on were ever owned by Quadvest.
- e) ADJUSTMENT 4: See response to Staff 1-55 for additional support, noting that our 2014/2015 policies support 91,600 in expense vs our requested 93,800, which represents less than a 2% anticipated increase in our 2015/2016 policy.
- f) ADJUSTMENT 5: QV has provided a copy of 2015 invoice documenting the new \$2.05 rate per gallon for chlorine; see WP "Staff 1-43 (Adjustment 5)". QV has spent more than \$155,000 on chemicals during period from Jan 2015 to Oct 2015.
- g) ADJUSTMENT 6: The AMR project will not be completed until FY2016 and completion of this project is dependent upon the finalization of this rate case (as referenced in QV's executive summary).
- h) ADJUSTMENT 6: The cost savings to the customer is the permanent reduction in meter reading expense going forward. In addition, QV should realize a reduction in number of meter re-reads once the AMRs are installed, which will eventually reduce overall operational cost (unquantifiable at this point). The main benefit will be increased customer service that we can provide to our customers with the additional data provided by the AMRs. Finally, we believe the additional AMR data will also help promote customer water conservation in the long term.
- i) ADJUSTMENT 6: The depreciation is related to the over \$2,000,000 cost of AMRs depreciated over a 10 year period. The AMR project will result in a cost to the customer but we believe this cost in the long term will allow us to provide better customer service, promote water conservation, and potentially realize some operational efficiency.



- j) ADJUSTMENT 7: Please see QV's application WP "Payroll & Benefits K&M" for specific calculation details, noting this will be included in electronic file (per Staff 1-31 request)

**PREPARER:**

Jeff Eastman

**SUPPORTING WITNESS:**

Jeff Eastman

**Date Provided:** 11/30/2015

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**Docket No. 44809**

**REQUEST NUMBER: STAFF RFI 1-44**

**COMPANY NAME:** Quadvest, L.P.

**DATE RECEIVED:** 11/16/15

**DATE DUE:** 11/30/15

**INFORMATION REQUESTED:**

**Staff 1-44** Reference the report of Gregory Scheig, page 15, footnote 11. Provide the source document (IBISWorld Industry Report 22131, Water Supply & Irrigation Systems in the U.S., January 2015).

**REQUESTED BY:** Public Utility Commission of Texas

**RESPONSE:** See "Scheig References—Exhibit 1".

**PREPARER:**

Gregory Scheig

**SUPPORTING WITNESS:**

Gregory Scheig

**Date Provided:** 11/30/2015