



Control Number: 44809



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**DOCKET NO. 44809**

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

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**PUBLIC UTILITY COMMISSION**

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**OF TEXAS**  
PUBLIC UTILITY COMMISSION  
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**COMMISSION STAFF'S PROPOSED LIST OF ISSUES**

**COMES NOW** the Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files this Proposed List of Issues. In support thereof, Staff shows the following:

**I. BACKGROUND**

On June 5, 2015, Quadvest, LP (Quadvest or Applicant) filed with the Public Utility Commission of Texas (Commission) an application for a rate/tariff change (Application) within the counties of Aransas Pass, Brazoria, Fort Bend, Harris, Jackson, Liberty, Matagorda, Montgomery, Walker and Waller and within the city of Richmond. Quadvest requests approval of the change in rates because it needs additional revenue to eliminate a present earnings deficiency. Quadvest proposed two phases of rate increases; one for new facilities already placed in service, the second for new facilities that will be placed in service. The effective date for the first phase of the proposed rate change is August 8, 2015. The effective date for the second phase of the proposed rate change is January 1, 2016.

On January 12, 2016 the Commission issued an Order of Referral to SOAH. The Order of Referral stated that by January 28, 2016, parties may file with the Commission a list of issues to be addressed in this docket.

**II. LIST OF ISSUES**

Staff has identified the following issues to be addressed:

1. What are the just and reasonable rates for the utility 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. § 13.182?
2. What revenue requirement will give the utility a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses while preserving the financial integrity of the utility? TWC § 13.183(a) and 16 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 the utility's proposed test-year data? TWC § 13.185(d)(1) and 16 TAC § 24.31(b).
5. What is the appropriate debt-to-equity capital structure of the utility?
6. What is the appropriate overall rate of return, return on equity, and cost of debt for the utility? 16 TAC § 24.31(c)(1).
7. What are the reasonable and necessary components of the utility's invested capital? 16 TAC § 24.31(c)(2).
8. What is the original cost of the property used and useful in providing water service to the public at the time the property was dedicated to public use? TWC § 13.185(b) and 16 TAC § 24.31(c)(2)(A) and (B).
9. Does the utility have any water and sewer property that was acquired from an affiliate or a developer before September 1, 1976? If so, has such property been included by the utility in its rate base and has it been included in all ratemaking formulas at the actual cost of the property rather than the price set between the entities? TWC § 13.185(b) and 16 TAC § 24.31(c)(2)(B)(i).
10. Has the utility acquired any water or sewer property from an affiliate? If so, do the payments for that property meet requirements of TWC § 13.185(e)?
11. Has the utility financed any of its plant with developer contributions?
12. Has the utility included any customer contributions or donations in invested capital?
13. What is the amount, if any, of accumulated depreciation on that property?
14. Is the utility seeking the inclusion of construction work in progress? If so, what is the amount sought and for what facilities? Additionally, has the utility proven that the inclusion is necessary to the financial integrity of the utility and that major projects under construction have been efficiently and prudently planned and managed? TWC § 13.185(b) and 16 TAC § 24.31(c)(3)(B).



15. What is the reasonable and necessary working capital allowance for the utility? 16 TAC § 24.3 1 (c)(2)(C).
16. Does the utility have any debt, and, if so, what is the cost of that debt?
17. What are the utility's reasonable and necessary operations and maintenance expenses? 16 TAC § 24.3 1 (b)(1)(A).
18. What are the utility's reasonable and necessary administrative and general expenses?
19. 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).
20. What is the reasonable and necessary amount for assessment and taxes, other than federal income taxes? 16 TAC § 24.31(b)(1)(C).
21. What is the reasonable and necessary amount for the utility's federal income tax expense? 16 TAC § 24.31(b)(1)(D) and, if applicable, Tex. Water Code Ann. § 13.185(f).
  - a. Is the utility a member of an affiliated group that is eligible to file a consolidated income tax return? TWC § 13.185(f).
  - b. If so, have income taxes been computed as though a consolidated return had been filed and the utility realized its fair share of the savings resulting from the consolidated return? TWC § 13.185(f).
  - c. If not, has the utility demonstrated that it was reasonable not to consolidate returns? TWC § 13.185(f).
22. What is the appropriate rate design for each rate class?
23. What are the utility's reasonable and necessary expenses incurred in this rate proceeding?
24. If a refund or surcharge results from this proceeding, how and over what period of time should that be made? TWC § 13.187.
25. What is the appropriate effective date of the rates fixed by the Commission in this proceeding? TWC § 13.187.



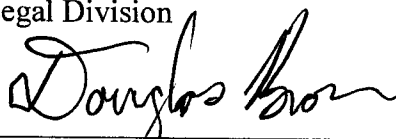
### III. ISSUES NOT TO BE ADDRESSED

Staff has not identified any issues not to be addressed.

Respectfully Submitted,

Margaret Uhlig Pemberton  
Division Director  
Legal Division

Stephen Mack  
Managing Attorney  
Legal Division

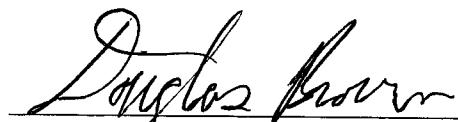


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### CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record January 28, 2016, in accordance with 16 TAC § 22.74.

  
Douglas M. Brown