

- "Reserve Valuations (in and out of litigation): Where Engineering and Appraisals Meet" – Dallas Bar Association Energy Section CLE Presentation, Dallas, Texas – September 2010.
- "Fair Value Updates / Implications for Energy Companies" – TSCPA Energy Conference, Austin, Texas – May 2009.
- "SFAS141R – New Fair Value Standards" – Financial Executives International (FEI), Dallas, Texas – January 2009.
- "Energy Valuation Update – Metrics, Multiples and Monte Carlo" – TSCPA Energy Conference, Austin, Texas – May 2008.
- "Disastrous Circumstances, a Valuation Point of View" – Risk and Insurance Management Society (RIMS), Dallas, Texas – May 2006.
- "FIN47 Valuation Considerations" – Reporting Environmental Liabilities *after* FIN47 Seminar, Advanced Environmental Dimensions, Dallas, Texas – November 2005.
- "Valuing Employee Stock Options" – TSCPA Natural Gas, Telecommunications and Electric Industries Conference, Austin, Texas – May 2005.
- "Valuing Securities Issued by Financially Distressed Companies" – Winstead's Business Restructuring Practice Group, Dallas, Texas – May 2005.
- "Cost of Capital, "Capital Structure and Leverage" and "International Investment Risk" – Lighthouse Seminar Group's Accounting and Finance Primer for Attorneys, Dallas and Houston, Texas – February 2005.
- "Valuing Employee Stock Options" for SFAS123R – Association for Corporate Growth, Austin Chapter – November 2004.
- "Valuation Update: Making Sense of the Numbers" – TSCPA Natural Gas, Telecommunications and Electric Industries Conference, Austin, Texas – April 2004.
- "Valuation Aspects of Commercial Litigation, Intellectual Property and Bankruptcy Cases" – Texas State Attorney General's Office, Austin, Texas – April 2004.
- "Economic Damage & Valuation Analysis: The Expert's View" – Hiersche, Hayward, Drakeley & Urback CLE, Dallas, Texas – March 2004.
- "SFAS143 Impact on Electric Asset Values" – CBI 6<sup>th</sup> Annual Electric Asset Valuation Conference, Houston, Texas – February 2004.
- "Lessons Learned from SFAS 141/142" – Council of Petroleum Accounting Societies (COPAS), Dallas, Texas - February 2004.
- "Valuing Employee Stock Options" – Horn, Murdock & Cole Continuing Professional Education, Dallas, Texas – October 2003.
- "Energy Valuation Update" – CBI 5<sup>th</sup> Annual Electric Asset Valuation Conference, Houston, Texas - February 2003.

"Valuation, Economic Loss and the Expert" – Texas State Attorney General's Office, Austin, Texas – November 2002.

## PUBLICATIONS

- "First-Quarter Results Show Positive Effects of Low Interest Rates" *Natural Gas & Electricity*, written with Christopher C. Lucas, CFA, July 2013, Wiley Periodicals, Inc., a Wiley company.
- "Utility Stocks Poised to Fall Off the Dividend Cliff?" *Natural Gas & Electricity*, December 2012, Wiley Periodicals, Inc., a Wiley company.
- "LNG Development: Timing is Everything" *Natural Gas and Electricity*, June 2009, Wiley Periodicals, Inc.
- "Monte Carlo Simulation Improves Decision Making" *Natural Gas and Electricity*, May 2007, Wiley Periodicals, Inc.
- "MLPs' Growth in Energy Fueled by Taxes and Regulators," *Natural Gas and Electricity*, January 2007, Wiley Periodicals, Inc.
- "Aging Workforce Has Valuation and Intellectual Property Considerations" *Natural Gas and Electricity*, August 2006, Wiley Periodicals, Inc.
- "FIN47 Yields Environmental Costs and Opportunities" *Natural Gas and Electricity*, June 2006, Wiley Periodicals, Inc.
- "Fair Value Measurement of Environmental Liabilities" *Natural Gas and Electricity*, January 2006, Wiley Periodicals, Inc. (Written with Gregory C. Rogers)
- "Role of Fair Value Increasingly Affects Business Combinations" *Natural Gas and Electricity*, November 2005, Wiley Periodicals, Inc.
- "New Financial Rules Increase International Comparability" *Natural Gas and Electricity*, June 2005, Wiley Periodicals, Inc.
- "Risk/Return Reconciled" *Natural Gas and Electricity*, February 2005, Wiley Periodicals, Inc.
- "SFAS 133 Affects Energy Values" *Natural Gas and Electricity*, December 2004, Wiley Periodicals, Inc.
- "Bringing Intangible Assets into Focus: Customer Relationships" *Natural Gas and Electricity*, July 2004, Wiley Periodicals, Inc. (Written with Dennis Perrone)
- "Nuclear Power Becoming Viable?" *Natural Gas and Electricity*, June 2004, Wiley Periodicals, Inc. (Written with Michael Conroy)
- "With FERC Support, Venture Capital Flowing into Merchant Power Opportunities" *Natural Gas and Electricity*, May 2004, Wiley Periodicals, Inc.
- "Show Me the Money" chapter 12 in *Measure What Matters*, Laura Patterson, VisionEdge Marketing, Inc., 2004.

"FASB Interpretation No. 45 Making an Impact on Utility Balance Sheets" *Natural Gas and Electricity*, February 2004, Wiley Periodicals, Inc.

"SFAS 143 Asset Retirement Obligations Strongly Affecting Electric & Gas Companies" "chapter 8 in *Electric & Natural Gas Business: Using New Strategies, Understanding the Issues!*, edited by Robert E. Willett, Financial Communications Company, 2004.

"Gas Still the Brightest Sector in Wall Street's View" *Natural Gas and Electricity*, December 2003, Wiley Periodicals, Inc. (Written with Todd C. Fries)

"Utilities Seeing Gains from SFAS 143 Implementation" *Natural Gas and Electricity*, November 2003, Wiley Periodicals, Inc. (Written with Domenic Falcone)

"Today's Financial Market Conditions Encourage New Transmission Investment" *Natural Gas and Electricity*, October 2003, Wiley Periodicals, Inc.

"Companies Planning New Strategies Around Bankruptcy Environment" *Natural Gas* September 2003, Wiley Periodicals, Inc.

"Dividends Revisited: Should the Check Be In The Mail?" *Natural Gas Magazine*, Wiley Periodicals, Inc., April 2003.

"Bad Times for Goodwill? SFAS 142 Will Impact Energy Industry" *Natural Gas Magazine*, Wiley Periodicals, Inc., January 2003.

"Recent FASB Rulings Affecting Valuations" "Chapter 8 in *Electric & Natural Gas Business: Understanding It!*, edited by Robert E. Willett, Financial Communications Company, November 2002.

"Valuing Generation Assets Under Competition" *Utility Management Solutions*, July/August 2000.

STATE OF TEXAS

COUNTY OF HARRIS §

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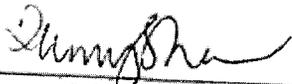
1. "My name is Tammy W. Shea, and I am the counsel of record for Quadvest ("QVLP"). I am over the age of eighteen (18) years, and there is no legal impediment to my giving this affidavit. I make this affidavit on my personal knowledge and the statements contained herein are true and correct.

2. On February 22, 2016, I sent four documents to GDS Associates, via email, to be file in the matter pending before the Public Utilities Commission and styled SOAH Docket No. 473-16-1848, Application of Quadvest L.P. For A Rate/Tariff Change. The documents included: (1) Direct Testimony of Charles E. Loy, (2) Jeffery Eastman, (3) Morey Villareal, and (4) Direct Testimony of Greg Scheig.

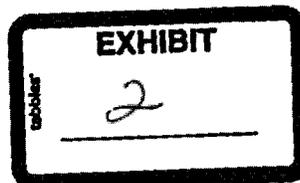
3. Unbeknownst to me, the email service I used to email the documents appeared to have a 20MB file size limit. The fourth document, which contained Mr. Scheig's Direct Testimony, exceeded the 20MB file size limit, and therefore did not send.

4. The first three documents sent and were filed without issue. Therefore, I did not become aware of the filing issue until OPUC filed it Motion to Strike on March 1, 2016."

Further affivant sayeth not.

  
\_\_\_\_\_  
Tammy W. Shea

3/4/16  
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Date



STATE OF TEXAS

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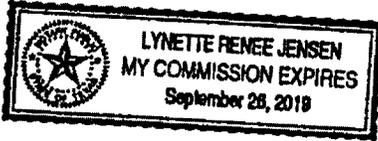
COUNTY OF HARRIS

BEFORE ME, the undersigned notary public, on this day personally appeared Tammy W. Shea, who being by me duly sworn, on her oath, deposed and said that she has read the above and foregoing affidavit; and that every statement contained therein is true and correct and within her personal knowledge.

SUBSCRIBED AND SWORN TO BEFORE ME this 4th day of MARCH 2016.

*Lynette Renee Jensen*

Notary Public in and for  
The State of Texas



DOCKET NO. 44809

APPLICATION OF QUADVEST, LP  
FOR A RATE/TARIFF CHANGE

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PUBLIC UTILITY COMMISSION

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STATE OF TEXAS

FILING CLERK

**COMMISSION STAFF'S FIRST  
REQUEST FOR INFORMATION AND REQUEST  
FOR ADMISSION TO QUADVEST, LP  
QUESTION NOS. STAFF 1-1 THROUGH STAFF 1-63**

Pursuant to 16 TAC § 22.144 of the Commission's Procedural Rules, the Staff of the Public Utility Commission of Texas (Staff) requests that Quadvest, LP by and through its attorneys of record, provide the following information and answer the following question(s) under oath. The question(s) shall be answered in sufficient detail to fully present all of the relevant facts, within the time limit provided by the Presiding Officer or within 20 days, if the Presiding Officer has not provided a time limit. Please copy the question immediately above the answer to each question. These question(s) are continuing in nature, and if there is a relevant change in circumstances, submit an amended answer, under oath, as a supplement to your original answer. State the name of the witness in this cause who will sponsor the answer to the question and can vouch for the truth of the answer.

Provide an original and three copies of your answers to the questions to the Filing Clerk, Public Utility Commission of Texas, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326.

EXHIBIT  
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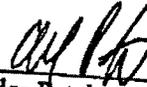
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102

Dated: November 10, 2015

Respectfully Submitted,

Margaret Uhlig Pemberton  
Division Director-Legal Division

Karen S. Hubbard  
Managing Attorney - Legal Division



Alexander Petak  
Attorney-Legal Division  
State Bar No. 24088216  
(512) 936-7377  
(512) 936-7268 (facsimile)  
Public Utility Commission of Texas  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on November 10, 2015, in accordance with 16 Tex. Admin. Code § 22.74.



Alexander Petak

DOCKET NO. 44809

COMMISSION STAFF'S FIRST  
REQUEST FOR INFORMATION AND REQUEST  
FOR ADMISSION TO QUADVEST, LP  
QUESTION NOS. STAFF 1-1 THROUGH STAFF 1-63

DEFINITIONS

- 1) "Quadvest", "the Company" or "you" refers to Quadvest, LP and any person acting or purporting to act on their behalf, including without limitation, attorneys, agents, advisors, investigators, representatives, employees or other persons. "The City" refers to the City of Copperas Cove and any person acting or purporting to act on their behalf, including without limitation, attorneys, agents, advisors, investigators, representatives, employees or other persons.
  
- 2) "Document" includes any written, recorded, or graphic matter, however produced or reproduced, including but not limited to correspondence, telegrams, contracts, agreements, notes in any form, memoranda, diaries, voice recording tapes, microfilms, pictures, computer media, work papers, calendars, minutes of meetings or other writings or graphic matter, including copies containing marginal notes or variations of any of the foregoing, now or previously in your possession. In the event any documents requested by this Request for Information have been transferred beyond the Company's control, describe the circumstances under which the document was destroyed or transferred and provide an exact citation to the subject document. In the event that documents containing the exact information do not exist, but documents do exist which contain portions of the required information or which contain substantially similar information, then the definition of "documents" shall include the documents which do not exist and these documents will be provided.

**DOCKET NO. 44809**

**COMMISSION STAFF'S FIRST  
REQUEST FOR INFORMATION AND REQUEST  
FOR ADMISSION TO QUADVEST, LP  
QUESTION NOS. STAFF 1-1 THROUGH STAFF 1-63**

**INSTRUCTIONS**

- 1) Pursuant to 16 TAC § 22.144(c)(2), Staff requests that answers to the requests for information be made under oath.
- 2) Please copy the question immediately above the answer to each question. State the name of the witness in this cause who will sponsor the answer to the question and can vouch for the truth of the answer.
- 3) These questions are continuing in nature, and if there is a relevant change in circumstances, submit an amended answer, under oath, as a supplement to your original answer.
- 4) Words used in the plural shall also be taken to mean and include the singular. Words used in the singular shall also be taken to mean and include the plural.
- 5) The present tense shall be construed to include the past tense, and the past tense shall be construed to include the present tense.
- 6) If any document is withheld under any claim of privilege, please furnish a list identifying each document for which a privilege is claimed, together with the following information: date, sender, recipients or copies, subject matter of the document, and the basis upon which such privilege is claimed.
- 7) Pursuant to 16 TAC § 22.144(g)(4), if the response to any request is voluminous, please provide a detailed index of the voluminous material.
- 8) Staff requests that each item of information be made available as it is completed, rather than upon completion of all information requested.

DOCKET NO. 44809

COMMISSION STAFF'S FIRST  
REQUEST FOR INFORMATION AND REQUEST  
FOR ADMISSION TO QUADVEST, LP  
QUESTION NOS. STAFF 1-1 THROUGH STAFF 1-63

- Staff 1-1 Reference the rate filing application, page 4, "CCN 11612 - Water Systems / Subdivisions Served" (referenced spreadsheet), indicate the following:
- 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;
  - Provide a list of the water systems / subdivisions on the referenced spreadsheet that have no customers served by Quadvest as of the date of response to this question;
  - Has Quadvest included any expenses or plant in the rate application for systems with no current customers?
- 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 / subdivisions listed in response to RFI #1.
- Staff 1-3 Reference the rate application, Appendix 1, Executive Summary, first page, line 16 through second page, line 8:
- 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.
  - 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.
- Staff 1-4 Provide a copy of Quadvest's capitalization policy.
- 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.
- 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:
- Facilities;
  - 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.

**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.

**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.

**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.

**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).

**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.

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

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- Staff 1-20** Please provide all invoices and receipts for property taxes paid included in the test year.
- Staff 1-21** Please provide the amount of Texas property taxes that are due in January 2016.
- 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.
- Staff 1-23** Please provide the methodology and calculations for amortizing customer and developer contributions in aid of construction (accounts 2700-2715).

- 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).
- 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.
- 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.
- Staff 1-27** Provide the detailed chart of accounts used by Quadvest in its accounting functions.
- 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.
- 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.
- Staff 1-30** Provide an electronic copy of Quadvest's detailed general ledger for the test year.
- 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.
- 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.
- 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.

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

**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 3<sup>rd</sup> party meter reading expense of \$82,149.
- j) ADJUSTMENT 7: Please provide all calculations supporting the salary/wage adjustment.

**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).

**Staff 1-45**

Reference the report of Gregory Scheig, page 17, footnote 14. Provide the source document (2014 Valuation Handbook, Duff & Phelps, 2014).

**Staff 1-46**

Reference the report of Gregory Scheig, page 17, "The survey is well regarded and the commonly cited study in utility rate case studies." Provide the water rate

cases in which the study has been cited in Texas. This is referencing the study in the handbook asked for in Staff 1-45.

- Staff 1-47** Reference the report of Gregory Scheig, page 21, footnote 16. Provide the source document (Paul A. Gompers (Harvard Business School and NBER), Steven N. Kaplan (University of Chicago Booth School of Business and NBER) and Vladimir Mukharlyamov (Harvard University), This Draft: February 2014).
- Staff 1-48** Reference the report of Gregory Scheig, page 21, footnote 17. Provide the source document [Ludovic Phalippou (University of Oxford, Said Business School), co-authors: Francesco Franzoni and Eric Nowak, both at Swiss Finance Institute - University of Lugan)].
- Staff 1-49** Reference the report of Gregory Scheig, page 22, footnote 18. Provide the source document (8 Robert Harris, Tim Jenkinson and Steve Kaplan, The University of Chicago Booth School of Business).
- Staff 1-50** Please provide a complete history of account numbers 1700, 1750, and 6220. Specifically, please provide all journal entries producing a balance in this account resulting from any acquisition or sale of assets by Quadvest or a predecessor entity, a description of the transaction, and an explanation of how amortization is being calculated.
- Staff 1-51** For all transactions listed in the previous request, please provide documentation of Quadvest's regulatory approval of the accounting treatment of the transaction, if any.
- Staff 1-52** Provide a copy of all invoices for travel expenses included in the application, account number 6660. Also provide a description of the reason for the travel and why it was necessary for provision of utility service.
- Staff 1-53** Provide a summary of all expenses by event and a copy of all supporting invoices for meals and entertainment included in the cost of service (account 6325). Also provide a description of the reason for the meals/entertainment and why it was necessary for provision of utility service.
- Staff 1-54** Provide a list of all seminars paid for in Quadvest account number 6630 for the test year including the name of the seminar, cost of attendance and the number of attendees, and the purpose of the seminar.
- Staff 1-55** Provide a copy of all insurance policies in effect for the test year and designate the cost for each policy.
- Staff 1-56** For the following Quadvest account numbers, please provide the end of year balance for the account for 2011, 2012, 2013, and 2014 in a comparative format. Please explain any differences greater than 15%:

- a) Account No. 6012 Bonus Expense;
- b) Account No. 6500-2 Bonus Expense;
- c) Account No. 6500-3 Payroll Expense;
- d) Account No. 6550-1 Payroll – Ops;
- e) Account No. 6010 Contract Labor Operations;
- f) Account No. 6516-1 Repairs & Maint – Sewer;
- g) Account No. 6516-2 Repairs & Maint – Water;
- h) Account No. 6009 Banking fees;
- i) Account No. 6008-1 Bad debt expense.

### REQUEST FOR ADMISSIONS

- Staff 1-57** No affiliate charges are included in any amounts addressed by the pass-through clause in the tariff.
- Staff 1-58** The application includes items in plant in service that are not currently used and useful as of the date of filing.
- Staff 1-59** The application includes items in plant in service that are not currently used and useful as of the response to this request for information.
- Staff 1-60** The purchase price for the system serving the Decker Lake was substantially lower than the original cost of the assets.
- Staff 1-61** Trending studies have been used to estimate original cost of some assets purchased.
- Staff 1-62** The original cost of all assets purchased is consistent with books and records of the entity from which Quadvest purchased the assets.
- Staff 1-63** Quadvest has never included depreciation as a cost in a prior cost of service for requested rate approval by the commission or a predecessor agency for the building(s) subject to the lease agreement.

SOAH DOCKET NO. 473-16-1848.WS  
PUC DOCKET NO. 44809

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APPLICATION OF QUADVEST, LP  
FOR A RATE/TARIFF CHANGE

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BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE HEARINGS

STATE CLERK

OFFICE OF PUBLIC UTILITY COUNSEL'S  
FIRST REQUEST FOR INFORMATION TO  
QUADVEST, L.P.

The Office of Public Utility Counsel ("OPUC") files and submits this First Request for Information to Quadvest, L.P. (Quadvest) in the captioned proceeding.

Under Commission Procedural Rules 22.141-.145, 16 Tex. Admin. Code Ch. 22, OPUC requests that Quadvest, as defined herein, provide the following information and answer the following questions under oath. Please answer the questions and sub-questions in the order in which they are listed and in sufficient detail to provide a complete and accurate answer to the question.

Definitions

As used in this introduction and in these questions,

- (1) "Quadvest", the "Company", and "Applicant" refer to Quadvest, L.P. and its affiliates;
- (2) "You", "yours" and "your" refer to Quadvest, L.P. (as defined above), including its directors, officers, employees, consultants, agents, and attorneys.
- (3) "Document" and "documents" mean any written, recorded, filmed, or graphic matter, whether produced, reproduced, or on paper, cards, tapes, film, electronic facsimile, computer storage device or any other media, including, but not limited to, electronic mail (e-

mail), memoranda, notes, analyses, minutes, records, photographs, correspondence, telegrams, diaries, bookkeeping entries, financial statements, tax returns, checks, check stubs, reports, studies, charts, graphs, statements, notebooks, handwritten notes, applications, contracts, agreements, books, pamphlets, periodicals, appointment calendars, records and recordings of oral conversations, work papers, observations, commercial practice manuals, reports and summaries of interviews, reports of consultants, appraisals, forecasts, tape recordings, or any form of recording that is capable of being transcribed into written form.

### Instructions

1. The Definitions, Instructions, and Claim of Privilege set out in this Request for Information apply to these questions.
2. In answering these questions, furnish all information that is available to you, including information in the possession of your agents, employees, and representatives, all others from whom you may freely obtain it, and your attorneys and their investigators.
3. Please answer each question based upon your knowledge, information, or belief, and any answer that is based upon information or belief should state that it is given on that basis.
4. If you have possession, custody, or control (as defined by Tex. R. Civ. P. 192.7(b)) of the originals of these documents requested, please produce the originals or a complete copy of the originals and all copies that are different in any way from the original, whether by interlineation, receipt stamp, or notation.
5. If you do not have possession, custody, or control of the originals of the documents requested, please produce copies of the documents, however made, in your possession, custody, or control. If any document requested is not in your possession or subject to your

- control, please explain why not, and give the present location and custodian of any copy or summary of the document.
6. If any question appears confusing, please request clarification from the undersigned counsel.
  7. In providing your responses, please start each response on a separate page and type, at the top of the page, the question that is being answered.
  8. As part of the response to each question, please state, at the bottom of the answer, the name and job position of each person who participated in any way, other than providing clerical assistance, in the preparing of the answer. If the question has sub-parts, please identify the person or persons by sub-part. Please also state the name of the witness in this docket who will sponsor the answer to the question and who can vouch for the truth of the answer. If the question has sub-parts, please identify the witness or witnesses by sub-part.
  9. Rather than waiting to provide all of the responses at the same time, please provide individual responses as each becomes available.
  10. These questions are continuing in nature. If there is a change in circumstances or facts or if you receive or generate additional information that changes your answer between the time of your original response and the time of the hearings, then you should submit, under oath, a supplemental response to your earlier answer.
  11. If you consider any question to be unduly burdensome, or if the response would require the production of a voluminous amount of material, please call the undersigned counsel as soon as possible in order to discuss the situation and to try to resolve the problem. Likewise, if you object to any of the questions on the grounds that the question seeks

confidential information, or on any other grounds, please call the undersigned counsel as soon as possible.

12. If the response to any question is voluminous, please provide separately an index to the materials contained in the response.
13. If the information requested is included in previously furnished exhibits, workpapers, or responses to other discovery inquiries or otherwise, in hard copy or electronic format, please furnish specific references thereto, including Bates Stamp page citations and detailed cross-references.
14. To the extent that a question asks for the production of copyrighted material, it is sufficient to provide a listing of such material, indicating the title, publisher, author, edition, and page references relied on or otherwise relevant to the question.

#### Claim of Privilege

If any document is withheld under any claim of privilege, please furnish a list identifying each document for which a privilege is claimed, together with the following information: date, sender, recipients, recipients of copies, subject matter of the document, and the basis upon which such privilege is claimed.

**SOAH Docket No. 473-16-1848.WS**  
**PUC Docket No. 44809**  
**OPUC's First Request For Information To**  
**Quadvest, L.P.**

- 1-1. For each system for which a rate base determination has been made by the PUC or its successor agencies, please provide the order or other documentation setting rate base.
- 1-2. For each system for which no rate base determination has been made by the PUC or its successor agencies, please list those systems and provide any documentation supporting the original costs, including all deeds and sales contracts.
- 1-3. For each system for which the company has made an acquisition adjustment, please explain the basis for any acquisition adjustment.
- 1-4. Reference Quadvest's response to PUC Staff's Request for Admission Staff 1-62. Please state the basis for the admission that "trending studies were used and accepted by the TCEQ prior to the last rate case," including all supporting documentation. In your response, please include all instances in which trending studies "were used" by the TCEQ.
- 1-5. Reference page 4 (Bates stamp 6) of the application, titled "CCN 11612 - Water Systems/ Subdivisions Served." Please identify which of these are included in the "Quadvest Original" rate increase.
- 1-6. Reference page 11 (Bates stamp 13) of the application. The first debt listed has an interest rate of 7.39% with a maturity date of 11/20/2019. Has the company attempted to refinance this debt or retire the debt early?
- 1-7. For each of the following, please provide the year and cost of acquisition by Quadvest: Bayer Utility (Old Town Spring), Caddo Village, Decker Oak Estates, and Shaw Acres water systems.
- 1-8. Reference Quadvest's response to Staff RFI 1-4 (Capitalization Policy). Please identify who created this document and when. Also, please state how long this policy has been in effect.
- 1-9. Please provide the Ibbotson Associates data that was used to construct the Capital Market Line graph on p. 4 of Appendix 2. If specific pages from the Ibbotson Associates publication were utilized, provide complete copies of those pages.
- 1-10. Please provide complete copies of all books, reports, articles and any other materials used to support or derive the ECAPM presentation on page 8 of Appendix 2.

**SOAH Docket No. 473-16-1848.WS**  
**PUC Docket No. 44809**  
**OPUC's First Request For Information To**  
**Quadvest, L.P.**

- 1-11. Regarding the br and vs components discussed on pages 10-11 of Appendix 2, provide complete workpapers supporting the calculation of the vs and br for each company, including complete copies of all data sources used in the calculations.
- 1-12. Please provide all data used to calculate the min, median, max and mean interest rates shown on page 14 of Appendix 2. Please provide all workpapers supporting the calculations.
- 1-13. Please provide a complete copy of the IBIS World Industry Report publication(s) referenced on p. 15 of Appendix 2.
- 1-14. Please provide complete copies of all Duff & Phelps publications and all Duff & Phelps data referenced or used in Appendix 2.
- 1-15. Please provide the Bloomberg Professional Service data sources and the 9 month regulatory lag data referenced in footnote 1 on p. 122 of Appendix 2. Please provide all calculations used to derive the 9 month regulatory lag numbers.
- 1-16. Please provide a complete copy of the Edison Electric Institute Rate Case Summary referenced on page 122 of Appendix 2.
- 1-17. Please provide the coupon rate for each Quadvest debt issuance. If the stated coupon rate differs from the cost of debt shown on Bates page 13 of the Company's application, column F, provide all data and detailed calculations that show how the cost of debt was derived.
- 1-18. Please provide a complete copy of Size Premia Study by Duff & Phelps.
- 1-19. Please provide all portfolio data from CSRPs referenced on p. 17 of Appendix 2.
- 1-20. Please provide all workpapers and calculations used to derive the size premium shown on page 18 of Appendix 2.
- 1-21. Please provide all original source documents and all calculation for both charts on page 20 of Appendix 2.
- 1-22. Please explain if Quadvest plans on replacing the two debt issuances that mature on 03/20/16. If so, please provide all details regarding new debt financing to replace the maturing issuances.
- 1-23. Please specify how the 3%-4% SSRP was calculated (p. 22 of Appendix 2). Please explain how the "three approaches" were used to derive the 3-4%.

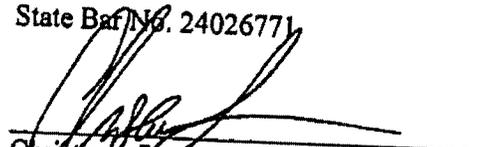
**SOAH Docket No. 473-16-1848.WS**  
**PUC Docket No. 44809**  
**OPUC's First Request For Information To**  
**Quadvest, L.P.**

- 1-24. Please provide a complete copy of the relevant sections of the Duff & Phelps 2014 Valuation Handbook referenced on page 24 of Appendix 2 and referenced in Schedules C.2 and C.3.
- 1-25. Please provide complete copies of all data sources and calculations used to derive the Hawada unlevered and relevered beta.
- 1-26. Please provide all data, data sources and calculations used to calculate the target debt/equity ratio shown on Schedules C.2 and C.3 (Appendix 2).
- 1-27. Please provide all data and all original data sources, as well as all calculations, used to derive each number under the "Duff & Phelps Small Stock Premium" and "Additional Small Stock Premium Required" columns in Schedule C.1 (Appendix 2).
- 1-28. Please provide copies of all original data sources for the following columns shown in Schedule C.2 (Appendix 2).
- a) Bloomberg Beta
  - b) Shares Out
  - c) Share Price
  - d) Market Cap
  - e) Total Debt & Preferred & Min Int.
  - f) Debt/Equity
  - g) Debt/Total Cap
- 1-29. Please explain in detail the differences in methodology(ies) used in deriving the unlevered Beta numbers shown in Schedule C.2 and C.3 (Appendix 2).
- 1-30. Please indicate the numerical value of each component of the following equation shown in Schedules C.2 and C.3 (Appendix 2).
- a)  $K_e$
  - b)  $R_F$
  - c) Levered Beta
  - d) MRP
  - e) SSRP
- 1-31. Please show all data and calculations used to derive the .94 and .89 relevered Betas shown in Schedules C.2, C.3, D.1 and D.2 (Appendix 2).
- 1-32. Provide complete copies of all Thompson and Zacks data sources used in Appendix 2. Please explain how the Zacks and Thompson data was used in Schedule E.1.

Dated: February 17, 2016

Respectfully submitted,

Tonya Baer  
Public Counsel  
State Bar No. 24026771

  
Christiaan Siano  
Assistant Public Counsel  
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**CERTIFICATE OF SERVICE**

SOAH Docket No. 473-16-1848.WS  
PUC Docket No. 44809

I certify that today, February 17, 2016, a true copy of the Office of Public Utility Counsel's First Request for Information to Quadvest, L.P. was served on all parties of record via United States First-Class Mail, hand-delivery or facsimile.

  
Christiaan Siano