

Control Number: 44844



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APPLICATION OF SUNSET WATER,
LLC FOR A RATE/TARIFF CHANGE

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PUBLIC UTILITY COMMISSION
OF TEXAS
RECEIVED BY MAIL
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CLERK

COMMISSION STAFF'S PROPOSED LIST OF ISSUES

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

I. BACKGROUND

On June 16, 2015, Sunset Water, LLC (Sunset or Applicant) filed an application (Application) with the Commission for a rate/tariff change within Moore County. Sunset requests approval of a rate change because the Applicant asserts that the water system expenses exceed revenues. Notice of rate change was provided to the affected customers by the Applicant on June 12, 2015. The noticed effective date for proposed rate change is August 15, 2015.

On September 10, 2015 the Commission issued an Order of Referral to SOAH. The Order of Referral stated that by September 23, 2015, 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 Sunset 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 (TWC)?
2. What revenue requirement will give Sunset 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 Tex. Admin. Code § 24.32(a) (TAC)
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 Sunset'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 Sunset?

6. What is the appropriate overall rate of return, return on equity, and cost of debt for Sunset? 16 TAC § 24.31(c)(1)

7. What are the reasonable and necessary components of Sunset'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. Has Sunset financed any of its plant with developer contributions?

10. Has Sunset included any customer contributions or donations in invested capital?

11. What is the amount, if any, of accumulated depreciation on that property?

12. What is the reasonable and necessary working capital allowance for Sunset? 16 TAC § 24.31(c)(2)(C)

13. Does Sunset have any debt, and, if so, what is the cost of that debt?

14. What are Sunset's reasonable and necessary operations and maintenance expenses? 16 TAC § 24.31(b)(1)(A)

15. What are Sunset's reasonable and necessary administrative and general expenses?

16. 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)

17. What is the reasonable and necessary amount for assessment and taxes, other than federal income taxes? 16 TAC § 24.31(b)(1)(C)

18. What is the reasonable and necessary amount for Sunset's federal income tax expense? 16 TAC § 24.31(b)(1)(D) and, if applicable, TWC § 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)

19. What is the appropriate rate design for each rate class?

20. What are Sunset's reasonable and necessary expenses incurred in this rate proceeding?

21. If a refund or surcharge results from this proceeding, how and over what period of time should that be made? TWC § 13.187

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

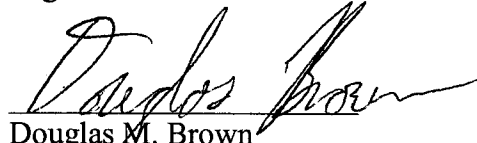
III. ISSUES NOT TO BE ADDRESSED

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

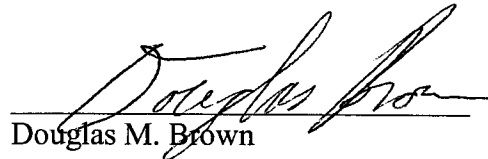


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DOCKET NO. 44844

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record September 24, 2015, in accordance with 16 TAC § 22.74.



Douglas M. Brown