

Control Number: 45283



Item Number: 52

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LAW OFFICE OF RICHARD T. MILLER

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September 6, 2016

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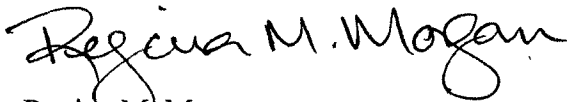
Public Utility Commission of Texas
Attention: Filing Clerk
1701 N. Congress Ave, Suite 8-100
P.O. Box 13326
Austin, TX 78711-3326

Re: PUC Docket No. 45283; SOAH Docket No. 473-16-1834.WS; *Ratepayers'*
Appeal of the Decision by North San Saba Water Supply Corporation to Change
Rates

Greetings,

Enclosed are one original copy and 13 disc copies of the Third Supplement to Roger Whatley's
Rebuttal to PUC Staff's Testimony. Please file in the above-referenced matter.

Thanks,



Regina M. Morgan
rmmorgan@centex.net

Encl.

52

**SOAH DOCKET NO. 473-16-1834.WS
PUC DOCKET NO. 45283**

**RATEPAYERS' APPEAL OF THE
DECISION BY NORTH SAN SABA
WATER SUPPLY CORPORATION TO
CHANGE RATES**

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§
§

BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS

THIRD SUPPLEMENT TO REBUTTAL TESTIMONY

OF

ROGER WHATLEY

ON BEHALF OF

NORTH SAN SABA WATER SUPPLY CORPORATION

September 6, 2016

**INDEX TO THE THIRD SUPPLEMENT TO REBUTTAL TESTIMONY OF
ROGER WHATLEY, WITNESS FOR
NORTH SAN SABA WATER SUPPLY CORPORATION**

- I. Rebuttal to Direct Testimony from PUC Staff Fred Bednarski**
- II. CONCLUSION**

LIST OF EXHIBITS

- EXHIBIT RW-21 Bednarski's FB-2 Spreadsheet Reproduced -- \$84.79**
- EXHIBIT RW-22 NSSWSC Expenses March 2015 to April 2016**
- EXHIBIT RW-23 Bednarski's FB-2 Spreadsheet Reproduced -- \$77.74**
- EXHIBIT RW-24 CPI Detailed Report for July 2015**
- EXHIBIT RW-25 Texas Municipal League Water Rates**
- EXHIBIT RW-26 Bednarski's FB-2 Spreadsheet Reproduced -- \$88.40**

1 **SUPPLEMENT TO REBUTTAL TESTIMONY OF ROGER WHATLEY**

2 **I. REBUTTAL TO BEDNARSKI DIRECT TESTIMONY**

3 **Q. PLEASE STATE YOUR SUPPLEMENTAL REBUTTAL TESTIMONY IN**
4 **RESPONSE TO DIRECT TESTIMONY BY PUC STAFF FRED**
5 **BEDNARKSI.**

6 **A.** In previous rebuttal testimony, titled as “Second Supplement to Rebuttal
7 Testimony of Roger Whatley on Behalf of North San Saba Water Supply
8 Corporation,” (“Second Rebuttal”) and file-stamped on June 14, 2016, I pointed
9 out that Staff had erred in filed testimony in two serious regards, as follows.

10 **1) Operator Compensation was raised from \$66,000 per year to \$90,000 per**
11 **year in May 2015.** This change was omitted from the calculation of “required
12 income” in the spreadsheet calculation of Exhibit FB-2 (“Direct Testimony of
13 Fred Bednarski III”, p. 2). Instead of \$90,000, the value for “Contract Labor” in
14 cell C11 of that spreadsheet is \$66,000, the old value.

15 This \$90,000 contract compensation was amply documented in previously filed
16 testimony in the following places:

17 a) “Mr. Broyles started with NSSWSC at \$49,500 annually in 2010 and is
18 now being paid \$90,000 annually.” (Katherine Gage Direct Testimony,
19 10:15-17). Also in “Direct Testimony of Fred Bednarski III,” p. 49;

20
21 b) “NSSWSC has the benefit of a fulltime Operator/Manager, a helper
22 and all the equipment needed to operate & maintain the system for a flat

1 rate of \$90,000.00 annually.” (Direct Testimony of Will Broyles, Exhibit
2 WB-3);
3
4 c) “Our Licensed Class C Groundwater Operator's contract was recently
5 renewed at \$90,000/yr.” (Direct Testimony of Roger Whatley, Exhibit
6 RW-3);
7
8 d) “This Water Report was produced by the Operator paid \$90,000 per
9 year.” (Pre-Filed Testimony of Ms. Barbara Horn, p. 5.);
10
11 e) “The \$2000 payment was added to the \$5,500 shown as the item
12 "Contract labor-Will Broyles" bringing his monthly compensation to
13 \$7,500 per month or \$90,000 per year.” (Pre-Filed Testimony of Ms.
14 Barbara Horn, p. 6.);
15
16 f) “This is the same Operator that is compensated at the rate of \$90,000
17 per year.” (Pre-Filed Testimony of Ms. Barbara Horn, p. 6.);
18
19 g) “Since then the compensation has been raised to \$90,000,...” (PreFiled
20 Testimony of Ms. Barbara Horn, p. 7).
21 Because this operator contract change was known to the NSSWSC Board in
22 August 2015 when the Board decided upon the present rates (TWC 13.043) there

1 can be no question that this is an error of omission in Staff's spreadsheet
2 calculation of Revenue Requirement.

3 **2) Conversion of the 3-year term Nelson Lewis Loan to a 30-year term for**
4 **calculation of Revenue Requirement is claimed by me to be an error of**
5 **judgment by Staff.**

6 In my Second Rebuttal, I said the following:

7 "I understand Mr. Bednarski's concern that a three-year term on a loan for capital
8 improvements is incongruous with the normal thirty-year term nature of such
9 loans, but in fact his hypothetical thirty-year term for the three-year reality
10 introduces an incongruity at least as egregious as the one he wishes to correct.
11 Namely, he expects NSSWSC to recover funds from income over a thirty-year
12 period which will actually be disbursed within a three-year period. To further
13 illustrate, there is an identifiable amount of income that Mr. Bednarski would
14 have NSSWSC collect in the 30th year, but which must be disbursed by NSSWSC
15 in the third year. To me this seems very incongruous and totally inconsistent with
16 accounting standards as I understand them." (Second Supplement to Rebuttal
17 Testimony of Roger Whatley, 6:7-16)

18 Thus, this path of calculation by Staff violates what is perhaps a very basic
19 principle in accounting, namely matching the incomes of a given period with
20 expenses of the same period, and also would deny NSSWSC the Revenue
21 Requirement to retire the loan obligation in the three-year term specified by
22 contract.

1 In that Second Supplement to my Rebuttal, I chose a remedial solution of
2 including the entire contractually obligated annual loan payment of \$24,800 in my
3 “corrected” calculation of Revenue Requirement.

4 By thus correcting for both errors above, and keeping all of Mr. Bednarski’s other
5 assumptions intact, a Base Rate of \$84.79 per month results (Second Supplement
6 to Roger Whatley’s Rebuttal, 7:19; Exhibit RW-21).

7 On page 8 of the Second Supplement to my PUC Rebuttal, lines 18-22, I
8 speculated:

9 “So, what about beyond the 3-year term when the Nelson Lewis Loan is paid off?
10 Will NSSWSC be taking in too much revenue? Possibly, but largely because
11 demand may eventually return. But the Board would be delighted in such
12 circumstance to return funds to members, or to pay down loans, or even to lower
13 rates once the danger of insolvency has passed.”

14 I was trying, at that time, then, to address a potential concern that beyond
15 the 3-year term of the Nelson Lewis note, and with the current base rate of \$82
16 per month, NSSWSC might somehow take in “too much revenue” from members.
17 In my judgment, this potential concern bears some further analysis. I shall go
18 about this in two ways below.

19 If the entire Nelson Lewis Loan payment is totally excluded from the
20 Revenue Requirement calculation used by Staff, but the correct Operator Contract
21 compensation is included, the resulting Base Rate is \$77.74 per month (Exhibit
22 RW-23), or a difference of $\$82 - \$77.74 = \$4.26$ per month. This amount is 5.20%
23 of the current base rate of \$82. Call this 5.20% of Base Rate the “B-difference.”

1

2 **I.)** “CPI Detailed Report for July 2015” (Exhibit RW-24) on page 1, Table A,
3 shows the CPI for “all items less food and energy” for the previous 12-month
4 period to July of 2015 to have been a 1.8% increase in general prices. In three
5 years this will produce a $(1.018 \times 1.018 \times 1.018) = 1.0550$ or a 5.50% increase.
6 This obviously covers the “B-difference” = 5.20%, and is approximately equal to
7 it.

8 Parenthetically, the Bureau of Labor Statistics gives this justification for use of
9 CPI less food and energy as a proxy for inflation:

10 “In addition to the All Items CPI, BLS publishes thousands of other
11 consumer price indexes. One such index is called "All items less food and
12 energy". Some users of CPI data use this index because food and energy
13 prices are relatively volatile, and these users want to focus on what they
14 perceive to be the "core" or "underlying" rate of inflation.”
15 http://www.bls.gov/cpi/cpifaq.htm#Question_12

16 It is just common-sense and based on recent years of experience as a participant-
17 consumer in the economy to believe that within 3 years an approximately 5% rise
18 in expenses, due to inflation, will probably occur. If this is so, any concern that if
19 NSSWSC kept an \$82 base rate it would somehow take in “too much revenue” at
20 the end of the Nelson-Lewis Note 3-year term, is still an overblown concern.

21

22 **II.)** Exhibit RW-25 is copied from the webpage of the Texas Municipal League.

23 Each year, the League conducts a survey of water prices to customers in hundreds

1 of Texas cities and towns. Summarized below are some results cited in that
2 exhibit.

3	2016	641 city-respondents	5.02% year-over-year increase
4	2015	668 city-respondents	5.4% yoy increase
5	2014	696 city-respondents	3.3% yoy increase
6	2013	696 city-respondents	4.1% yoy increase

7 Using the LOWEST of these cited recent annual increases in water prices, 3.3%
8 in 2014, and compounding that for three years yields $(1.033 \times 1.033 \times 1.033) =$
9 1.1023 , or a 10.2% increase. There does NOT appear to be a problem with the “B-
10 difference” if NSSWSC’s expenses and resulting water rates should loosely track
11 the behaviors of 696 Texas cities and towns in the 2014 period. Any other period
12 merely yields a larger price increase and leads to the same conclusion even more
13 forcefully.

14 Conclusion: Using US Bureau of Labor Standards CPI data or Texas
15 Municipal League survey data, I have shown that NSSWSC is very likely to need
16 the present Base Rate of \$82, if not more, beyond the 3-year term or the Nelson
17 Lewis Note. This claim can be understood by a fair and impartial accounting as
18 being “reasonable and fair.” No other conclusion is reasonable.

19

20 **III.)** Exhibit FB-2 makes the assumption that “Repairs and Maintenance”
21 expenses are only 55% fixed expenses. This may well be a reasonable assumption
22 in geographically compact municipal WSCs with relatively short distances
23 between meters and well-maintained pipes. NSSWSC, however, deals with rural

1 distances much, much longer between connections/meters and has a lot of older
2 deteriorating and even originally-substandard pipe in the ground. I have spoken
3 with our Operator, and he judged our “Repair and Maintenance” expense to be
4 80% due to pipe leak repairs, and such, and thus 80% fixed expense. He added
5 that before the 2014 capital project, this figure was probably 90%. Our expenses
6 to maintain our pumping stations and equipment is generally low in comparison to
7 repairing leaks (and paying the City of San Saba for the water that leaked).

8 Correcting this in my own reconstructed FB-2 spreadsheet, along with
9 correcting the Operator’s compensation and FULLY using the Nelson Lewis Loan
10 Principal, results in a Base Rate calculation of \$88.40 (Exhibit RW-26). Recall,
11 from Katherine Gage’s testimony that in December 2015, James Smith of the
12 Texas Rural Water Association visited NSSWSC and calculated our Base Rate
13 should be \$88 per month.

14
15 **VI.)** Mr. Bednarski strives to match the term-lengths of one specific loan to a
16 long-term 30-year horizon. Ceteris parabis, this is perhaps a desirable goal,
17 though it is controvertible in a “cash-accounting” versus “accrual accounting”
18 context. (“Cash accounting” books the actual cash flow in the period in which it
19 actually occurs, whereas “accrual accounting” strives to match a cash flow to the
20 period in which the actual benefit of the cash flow actually accrues. Hence
21 depreciation expenses, as an example, do not exist in cash accounting.) I have
22 shown it, in my Second Supplement to my PUC Rebuttal, to have serious and
23 NEGATIVE financial impact in the shorter term. But what about the term-lengths

1 of other accounting quantities added into Mr. Bednarski's "Cash Needs"
2 calculation of NSSWSC's Revenue Requirement?

3 Do these quantities change in a much shorter time frame than 30 years? Of
4 course they do. Should these quantities somehow be adjusted to reflect a 30-year
5 horizon of expectation? Well, ... no. The problem, of course, is that we do not
6 quantifiably know THAT future. The only quantifiable future we DO know is that
7 future committed in the terms of a 30-year loan. The only practical answer to this
8 term-defect of such an accounting exercise is that the NSSWSC Board should
9 reconsider rates on at least an annual basis.

10

11 The perfectly normal, reflexive, and almost-thoughtless expectation, based on
12 decades of economic experience, is that there will be a need for a price increase
13 due to inflation. This is most probably true. "The future is going to be just like the
14 past, only longer," is a pseudo-aphorism I used for many years to illustrate how
15 we sometimes falsely achieve some of our expectations of the future. But is this
16 expectation of inflation ALWAYS going to be the case? Not necessarily. There
17 have, for instance, been historical periods of DEFLATION of the currency in the
18 economic life of our nation as well as that of many other nations. Currently
19 available prognostications predict we could experience deflation soon. Currently
20 low interest rates, even negative rates in some nations, are cited to support this
21 claim about the future. At any rate, it is at least a theoretical possibility.

22 More practically, there are other, more easily foreseeable reasons that
23 NSSWSC's cost of service might go down in time. One of these reasons might be

1 the discharging of a loan obligation. Note that this is generally NOT dependent on
2 the term of the loan, whether 3-year or 30-year. For example, a 30-year loan
3 obligation that was committed 27 years ago will, of course, be discharged in 3
4 years. OR, as a prudent business decision, the Board may decide to pay down its
5 loan obligation(s) by some amount, thereby shortening the effective term-periods.

6 If Mr. Bednarski's "Cash Needs" calculation were hypothetically faced
7 with a NSSWSC 30-year loan obligation that was 3 years from being discharged
8 as an obligation on the date of the rate increase, would he have chosen to re-
9 compute that remaining 3-year obligation as a new 30-year obligation in order to
10 match its remaining term with other 30 year terms? Somehow, I doubt it. But,
11 dollar-for-dollar, what is the difference in financial impact between that
12 remaining 3-year obligation, and a brand-new actual 3-year obligation? Either one
13 will go away in 3 years.

14 Texas Water Code 13.043 requires that rates be "fair and reasonable." No
15 time frame is explicitly given for this requirement other than the requirement to
16 "hear the appeal de novo and ... fix in its final order the rates the governing body
17 should have fixed in the action from which the appeal was taken." Thus, the point
18 in time at which the rates must be judged as "fair and reasonable" is ON the
19 effective date of the rate increase being contested. No other date is mentioned,
20 except this "fix" is required to "remain in effect until the first anniversary of the
21 effective date proposed by the retail public utility for the rates being appealed or
22 until changed by the service provider, whichever date is later, ..."

It is often hard for us, as human beings, to identify the underlying assumptions that we implicitly accept. Sometimes our assumptions are presumptuous or even biased to a given conclusion. It is important to try and tease out our own presumptions about “facts.”

Does the Texas Legislature require the rates fixed on the date of the rate increase to be “fair and reasonable” 3 years later?

I conclude that the answer to that question is “No.” Instead, the implicit expectation is that the “governing body” (NSSWSC Board) is left empowered at that time to change rates up OR DOWN, as appropriate to the then-extant business situation and environment.

II. CONCLUSION

Q. DOES THIS CONCLUDE YOUR SUPPLEMENT TO YOUR REBUTTAL TESTIMONY?

A. Yes, although I reserve the right to add to or amend my testimony.

EXHIBIT RW-21

Line#		NSSWSC Revenue	Staff adjustments	Staff Revenue Requirement	% Fixed	Water Fixed Cost	% Variable	Water Variable Cost
1	Revenue Account							
2	Capital Fee		(1,500.00)	(1,500.00)	50%	(750.00)	50%	(750.00)
3	Membership Fee		(1,000.00)	(1,000.00)	50%	(500.00)	50%	(500.00)
4	Late Fee		(720.00)	(720.00)	50%	(360.00)	50%	(360.00)
5	Line Extension		(3,275.00)	(3,275.00)	50%	(1,637.50)	50%	(1,637.50)
6	Expense Rebate		(165.00)	(165.00)	50%	(82.50)	50%	(82.50)
7	Interest Income		(39.32)	(39.32)	50%	(19.66)	50%	(19.66)
8			(6,699.32)	(6,699.32)	50%	(3,349.66)	50%	(3,349.66)
9	Expense Account							
10	Salaries	16,590.00		16,590.00	100%	16,590.00	0%	-
11	Contract Labor	90,000.00		90,000.00	100%	90,000.00	0%	-
12	Utilities	29,096.00		29,096.00	0%	-	100%	29,096.00
13	Repairs and Maintenance	30,051.00		30,051.00	55%	16,528.05	45%	13,522.95
14	Office Expenses	10,260.00		10,260.00	100%	10,260.00	0%	-
15	Accounting and Legal	4,680.00		4,680.00	100%	4,680.00	0%	-
16	Insurance- WC and Liability	5,914.00		5,914.00	100%	5,914.00	0%	-
17	License and Dues	5,467.00		5,467.00	100%	5,467.00	0%	-
18	Postage and Freight	2,316.00		2,316.00	100%	2,316.00	0%	-
19	Depreciation	10,484.00	(10,484.00)	-		-		-
20	Miscellaneous	534.00		534.00	20%	106.80	80%	427.20
21	Long Term Debt	10,332.00	(10,332.00)	-		-		-
22	Water Purchased	61,475.00		61,475.00	0%	-	100%	61,475.00
23	System Depreciation	128,504.00	(128,504.00)	-		-		-
24	TCEQ Fine	7,020.00	(7,020.00)	-		-		-
25		412,723.00	(163,039.32)	249,683.68	59%	148,512.19	41%	101,171.49
26								
27	Debt Service							
28	USDA Annual Loan Pmt Amount (5%, 40 Years, \$650,000, 9/2031)		37,680.00	37,680.00	100%	37,680.00	0%	-
29	TWDB Annual Loan Pmt Amount (4.07%, 10 Years, \$310,000, 1/2022)		38,664.00	38,664.00	100%	38,664.00	0%	-
30	TWDB Annual Loan Pmt Amount (.28%-5.79%, 30 Years, \$335,000, 1/2043)		22,699.20	22,699.20	100%	22,699.20	0%	-
	Nelson Lewis Loan Pmt Amount (4%, 3 Years, \$70,000, 6/2018, annual PMT = \$24,800.16) Normalized for 30 years for supplement to original loan cost of \$335,000)		24,800.16	24,800.16	100%	24,800.16	0%	-
31			123,843.36	123,843.36	100%	123,843.36	0%	-
32			25,763.37	25,763.37	100%	25,763.37	0%	-
33			(13,432.60)	399,290.41	74.66%	298,118.92		101,171.49
34		412,723.00						
			4,010.285			\$ 84.79		
			25,763.37					

NSSWSC Monthly Expenses Mar2015 to Apr2016

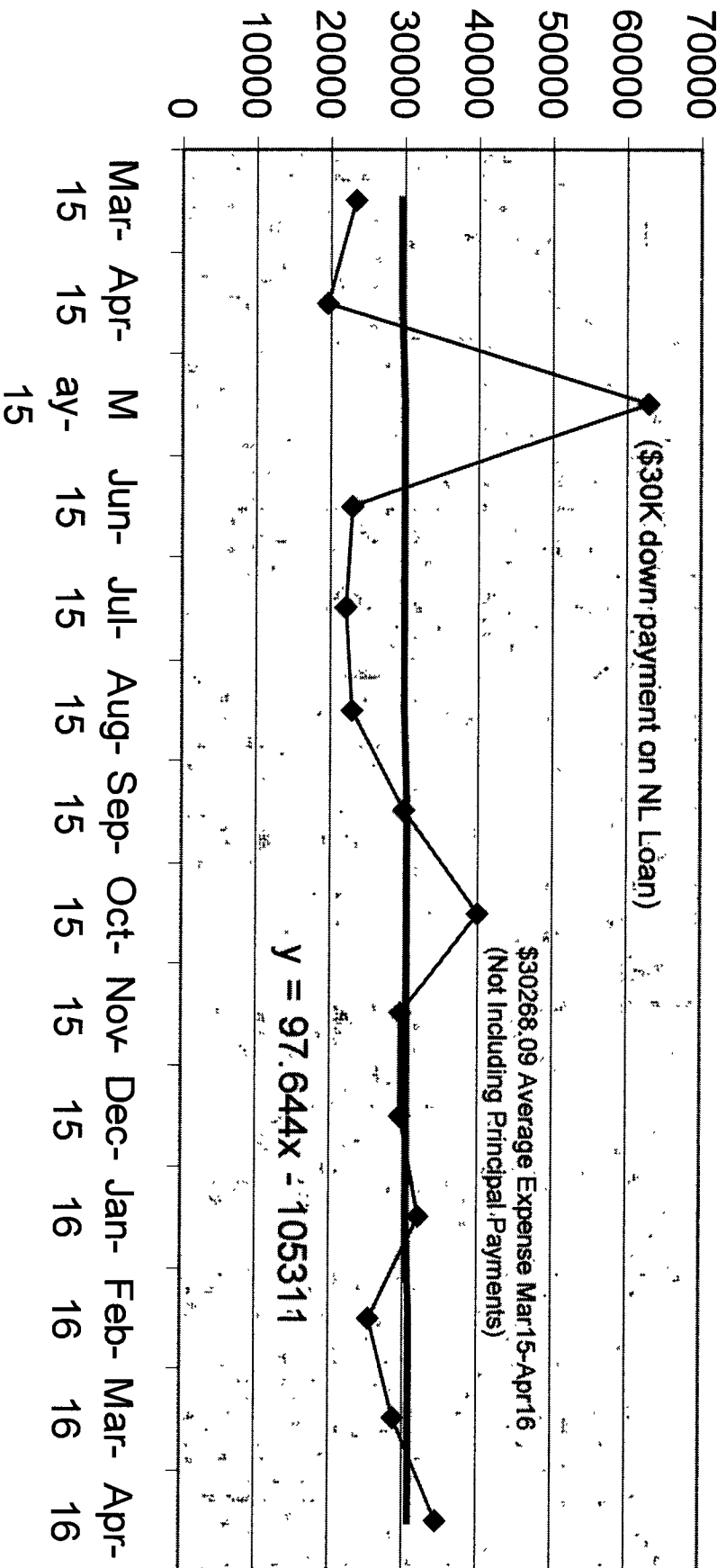


EXHIBIT RW-23

Line#		NSSWSC Revenue	Staff adjustments	Staff Revenue Requirement	% Fixed	Water Fixed Cost	% Variable	Water Variable Cost
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3	Membership Fee		(1,000.00)	(1,000.00)	50%	(500.00)	50%	(500.00)
4	Late Fee		(720.00)	(720.00)	50%	(360.00)	50%	(360.00)
5	Line Extension		(3,275.00)	(3,275.00)	50%	(1,637.50)	50%	(1,637.50)
6	Expense Rebate		(165.00)	(165.00)	50%	(82.50)	50%	(82.50)
7	Interest Income		(39.32)	(39.32)	50%	(19.66)	50%	(19.66)
8	Total income		(6,699.32)	(6,699.32)	50%	(3,349.66)	50%	(3,349.66)
9	Expense Account							
10	Salaries	16,590.00		16,590.00	100%	16,590.00	0%	-
11	Contract Labor	90,000.00		90,000.00	100%	90,000.00	0%	-
12	Utilities	29,096.00		29,096.00	0%	-	100%	29,096.00
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18	Postage and Freight	2,316.00		2,316.00	100%	2,316.00	0%	-
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24	TCEQ Fine	7,020.00	(7,020.00)	-		-		-
25	Total Operations and Maintenance Cost	412,723.00	(163,038.32)	249,683.68	59%	148,512.19	41%	101,171.49
26								
27	Debt Service							
28	USDA Annual Loan Pmt Amount (5%, 40 Years, \$650,000, 9/2031)		37,680.00	37,680.00	100%	37,680.00	0%	0%
29	TWDB Annual Loan Pmt Amount (4.07%, 10 Years, \$310,000, 1/2022)		38,664.00	38,664.00	100%	38,664.00	0%	0%
30	TWDB Annual Loan Pmt Amount (28%-5.79%, .30 Years, \$335,000, 1/2043)		22,699.20	22,699.20	100%	22,699.20	0%	0%
31	Nelson Lewis Loan Pmt Amount (4%, 3 Years, \$70,000 6/2018, annual PMT = \$24,800.16) Normalized for 30 years for supplement to original loan cost of \$335,000)		-	-	100%	-	0%	0%
32	Total Annual Debt Payments		99,043.20	99,043.20	100%	99,043.20	0%	0%
33	Debt Coverage 1.25		25,763.37	25,763.37	100%	25,763.37	0%	0%
34	Total Revenue Requirement	412,723.00	(36,232.76)	374,490.25	72.98%	273,318.76		101,171.49
			4,010.285		\$	77.74		
			25,763.37					

CPI Detailed Report

Data for July 2015

Editors
 Malik Crawford
 Jonathan Church
 Bradley Akin

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Scheduled release dates

Consumer Price Index data are scheduled for initial release on the following dates:

<i>Index month</i>	<i>Release date</i>	<i>Index month</i>	<i>Release date</i>
August	September 16	October	November 17
September	October 15	November	December 15

EXHIBIT RW-24

CONSUMER PRICE MOVEMENTS JULY 2015

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent in July on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index rose 0.2 percent before seasonal adjustment.

The indexes for food, energy, and all items less food and energy all rose slightly in July. The food index rose 0.2 percent as all six major grocery store food group indexes increased. The energy index rose 0.1 percent as an increase in the gasoline index more than offset declines in other energy component indexes.

The index for all items less food and energy also rose 0.1 percent in July. A 0.4-percent advance in the shelter index was the main contributor to the increase, though the indexes for medical care and apparel also rose. In contrast, the index for airline fares fell sharply, and the indexes for used cars and trucks, household furnishings and operations, and new vehicles all declined.

The all items index increased 0.2 percent for the 12 months ending July. The 12-month change has been rising since April. The index for all items less food and energy increased 1.8 percent for the 12 months ending July; this was the fourth time in 5 months the 12-month change was 1.8 percent. The food index increased 1.6 percent over the last 12 months. The energy index, however, continues to show a 12-month decline, falling 14.8 percent over the past year.

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended July 2015
	Jan. 2015	Feb. 2015	Mar. 2015	Apr. 2015	May 2015	June 2015	July 2015	
All items	-0.7	0.2	0.2	0.1	0.4	0.3	0.1	0.2
Food .....	.0	.2	-.2	.0	.0	.3	.2	1.6
Food at home	-.2	.1	-.5	-.2	-.2	.4	.3	.9
Food away from home ¹ .....	.2	.3	.2	.2	.2	.2	.0	2.7
Energy	-9.7	1.0	1.1	-1.3	4.3	1.7	.1	-14.8
Energy commodities	-18.0	2.1	3.8	-1.9	9.6	3.1	.7	-22.4
Gasoline (all types)	-18.7	2.4	3.9	-1.7	10.4	3.4	.9	-22.3
Fuel oil ¹	-9.9	1.9	5.9	-8.4	.7	-1.9	-3.4	-29.7
Energy services	-.1	-.2	-1.5	-.5	-1.0	.2	-.6	-3.7
Electricity .....	.9	.3	-1.1	.0	-1.2	.2	-.4	-.7
Utility (piped) gas service	-3.4	-2.0	-2.7	-2.6	.0	.3	-1.4	-14.2
All items less food and energy .....	.2	.2	.2	.3	.1	.2	.1	1.8
Commodities less food and energy	-.1	.2	.3	.1	-.1	-.1	-.1	-.5
New vehicles	-.1	.2	.2	.1	.2	.1	-.2	.7
Used cars and trucks	-.1	1.0	1.2	.6	-.4	-.4	-.6	-1.1
Apparel .....	.3	.3	.5	-.3	-.5	-.1	.3	-1.6
Medical care commodities	-.3	.7	.1	.1	.4	.0	.1	3.1
Services less energy services .....	.3	.1	.2	.3	.2	.3	.2	2.6
Shelter .....	.3	.2	.3	.3	.2	.3	.4	3.1
Transportation services .....	.4	.3	.0	.1	.7	.4	-.2	2.1
Medical care services .....	.1	-.2	.4	.9	.2	-.2	.1	2.3

¹ Not seasonally adjusted.

Consumer Price Index Data for July 2015

Food

The food index, which rose 0.3 percent in June, increased 0.2 percent in July. The food at home index increased 0.3 percent, with all six major grocery store food group indexes rising modestly. The index for dairy and related products posted the largest increase, rising 0.8 percent and ending a series of six consecutive declines. The index for nonalcoholic beverages rose 0.4 percent, and the fruits and vegetables index rose 0.3 percent after declining in June. The index for fresh fruits rose 1.1 percent, while the fresh vegetables index declined 0.8 percent. The index for meats, poultry, fish, and eggs advanced 0.2 percent as the beef index declined but the index for eggs rose 3.3 percent. The indexes for cereals and bakery products and for other food at home also rose 0.2 percent. The food at home index has risen 0.9 percent over the past 12 months. The index for meats, poultry, fish, and eggs has increased 3.1 percent, with the eggs index increasing 24.9 percent and the beef index up 10.0 percent. In contrast, the indexes for fruits and vegetables and for dairy and related products have declined over the past 12 months. The index for food away from home was unchanged in July. It has risen 2.7 percent over the past 12 months.

EXHIBIT RW-24

Energy

The energy index edged up 0.1 percent in July after a 1.7 percent increase in June. The gasoline index increased for the third consecutive month, rising 0.9 percent. (Before seasonal adjustment, gasoline prices declined 0.2 percent in July.) The other major energy component indexes declined in July. The index for natural gas fell 1.4 percent after rising in June. The electricity index fell 0.4 percent, its third decline in the last 5 months. The fuel oil index decreased 3.4 percent following a 1.9-percent decline in June. All major energy components have declined over the past 12 months. The fuel oil index has posted the largest decline, falling 29.7 percent, and the gasoline index has decreased 22.3 percent. The index for natural gas has fallen 14.2 percent and the electricity index has declined 0.7 percent.

All items less food and energy

The index for all items less food and energy increased 0.1 percent in July following a 0.2-percent increase in June. The shelter index rose 0.4 percent, its largest increase since February 2007. The indexes for rent and owners' equivalent rent both increased 0.3 percent, while the index for lodging away from home increased 2.5 percent after falling in May and June. The apparel index also turned up in July, rising 0.3 percent after declining in each of the last 3 months. The index for medical care rose slightly in July, increasing 0.1 percent, with both the medical care services and medical care commodities indexes advancing 0.1 percent. Several indexes were unchanged in July, including those for personal care, recreation, alcoholic beverages, and tobacco. The index for airline fares declined sharply in July, falling 5.6 percent, its largest decline since December 1995. The index for used cars and trucks fell for the third month in a row, declining 0.6 percent, and the index for household furnishings and operations fell 0.2 percent, also its third straight decline. The new vehicles index, which had increased five months in a row, also fell 0.2 percent in July.

The index for all items less food and energy has risen 1.8 percent over the past 12 months, similar to its 1.9-percent average annualized increase over the past 10 years. The shelter index has increased 3.1 percent over the last year, its largest 12-month increase since January 2008. The indexes for airline fares, apparel, used cars and trucks, and household furnishings and operations have all declined over the last 12 months.

Not seasonally adjusted CPI measures

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent over the last 12 months to an index level of 238.654 (1982-84=100). For the month, the index was essentially unchanged prior to seasonal adjustment.

The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) decreased 0.3 percent over the last 12 months to an index level of 233.806 (1982-84=100). For the month, the index was essentially unchanged prior to seasonal adjustment.

The Chained Consumer Price Index for All Urban Consumers (C-CPI-U) decreased 0.1 percent over the last 12 months. For the month, the index was virtually unchanged on a not seasonally adjusted basis. Please note that the indexes for the past 10 to 12 months are subject to revision.

The Consumer Price Index for August 2015 is scheduled to be released on Wednesday, September 16, at 8:30 a.m. (EDT).

EXHIBIT RW-25

Texas Municipal League Website

<http://www.tml.org/surveys>

Annual Water and Wastewater Survey Results

The results of the water and wastewater rate survey conducted by the Texas Municipal League are posted here. If you have difficulty accessing this information, please call Rachael Pitts in the TML office at 512-231-7400.

Information is presented only for cities that provide water and wastewater services to their residents. Information for cities that provide water and wastewater services through municipal utility districts, interlocal agreements, and other private sources is not included in the survey. The information contained in the survey results was provided by the cities, and TML made no attempt to verify the accuracy of information reported. Where no response to a specific question was received, a zero is used to indicate no response; zeroes are not included in the computations of averages

2016

A total of 641 cities reported that they provide water service to their residents. The average cost of water usage of 5,000 gallons in all cities is \$36.22, an increase of 5.02 percent over the 2015 average of \$34.49. The average monthly residential consumption in all cities is 6,404 gallons.

Wastewater service is provided in 608 of the cities responding to the survey. The average cost of wastewater service for residential usage of 5,000 gallons is \$26.90, an increase of 3.18 percent over last year's average of \$26.07.

- Water Fees by Population Group Summary **Excel pdf**
Residential and Commercial Water Costs Details **Excel pdf**
Wastewater Fees by Population Category Summary **Excel pdf**
Residential and Commercial Wastewater Costs Details **Excel pdf**

2015

A total of 668 cities reported that they provide water service to their residents. The average cost of water usage of 5,000 gallons in all cities is \$34.49, an increase of 5.4 percent over the 2014 average of \$32.73. The average monthly residential consumption in all cities is 6,185 gallons.

Wastewater service is provided in 634 of the cities responding to the survey. The average cost of wastewater service for residential usage of 5,000 gallons is \$26.07, an increase of 2.7 percent over last year's average of \$25.39.

- Water Fees by Population Group Summary **Excel pdf**

EXHIBIT RW-25

- Residential and Commercial Water Costs Details **Excel pdf**
- Wastewater Fees by Population Category Summary **Excel pdf**
- Residential and Commercial Wastewater Costs Details **Excel pdf**

2014

A total of 696 cities reported that they provide water service to their residents. The average cost of water usage of 5,000 gallons in all cities is \$32.73, an increase of 3.3 percent over the 2013 average of \$31.68. The average monthly residential consumption in all cities is 6,560 gallons.

Wastewater service is provided in 666 of the cities responding to the survey. The average cost of wastewater service for residential usage of 5,000 gallons is \$25.39, an increase of 3.8 percent over last year's average of \$24.45.

- Water Fees by Population Group Summary **Excel pdf**
Residential and Commercial Water Costs Details **Excel pdf**
Wastewater Fees by Population Category Summary **Excel pdf**
- Residential and Commercial Wastewater Costs Details **Excel pdf**

2013

A total of 696 cities reported that they provide water service to their residents. The average cost of water usage of 5,000 gallons in all cities is \$31.68, an increase of 4.1 percent over the 2012 average of \$30.43. The average monthly residential consumption in all cities is 6,613 gallons.

Wastewater service is provided in 666 of the cities responding to the survey. The average cost of wastewater service for residential usage of 5,000 gallons is \$24.45, an increase of 2.6 percent over last year's average of \$23.82.

- Water Fees by Population Group Summary **Excel pdf**
Residential and Commercial Water Costs Details **Excel pdf**
Wastewater Fees by Population Category Summary **Excel pdf**
Residential and Commercial Wastewater Costs Details **Excel pdf**

EXHIBIT RW-26

Line#		NSSWSC Revenue	Staff adjustments	Staff Revenue Requirement	% Fixed	Water Fixed Cost	% Variable	Water Variable Cost
1	Revenue Account							
2	Capital Fee		(1,500.00)	(1,500.00)	50%	(750.00)	50%	(750.00)
3	Membership Fee		(1,000.00)	(1,000.00)	50%	(500.00)	50%	(500.00)
4	Late Fee		(720.00)	(720.00)	50%	(360.00)	50%	(360.00)
5	Line Extension		(3,275.00)	(3,275.00)	50%	(1,637.50)	50%	(1,637.50)
6	Expense Rebate		(165.00)	(165.00)	50%	(82.50)	50%	(82.50)
7	Interest Income		(39.32)	(39.32)	50%	(19.66)	50%	(19.66)
8			(6,699.32)	(6,699.32)	50%	(3,349.66)	50%	(3,349.66)
9	Expense Account							
10	Salaries	16,590.00		16,590.00	100%	16,590.00	0%	-
11	Contract Labor	29,096.00		29,096.00	100%	29,096.00	0%	-
12	Utilities	29,096.00		29,096.00	0%	-	100%	29,096.00
13	Repairs and Maintenance	30,051.00		30,051.00	80%	24,040.80	20%	6,010.20
14	Office Expenses	10,260.00		10,260.00	100%	10,260.00	0%	-
15	Accounting and Legal	4,680.00		4,680.00	100%	4,680.00	0%	-
16	Insurance-WC and Liability	5,914.00		5,914.00	100%	5,914.00	0%	-
17	License and Dues	5,467.00		5,467.00	100%	5,467.00	0%	-
18	Postage and Freight	2,316.00		2,316.00	100%	2,316.00	0%	-
19	Depreciation	10,484.00	(10,484.00)	-		-		-
20	Miscellaneous	534.00		534.00	20%	106.80	80%	427.20
21	Long Term Debt	10,332.00	(10,332.00)	-		-		-
22	Water Purchased	61,475.00		61,475.00	0%	-	100%	61,475.00
23	System Depreciation	128,504.00	(128,504.00)	-		-		-
24	TOEQ Fine	7,020.00	(7,020.00)	-		-		-
25		412,723.00	(163,038.32)	249,683.68	62%	156,024.94	38%	93,658.74
26								
27	Debt Service							
28	USDA Annual Loan Pmt Amount (5%, 40 Years, \$650,000, 9/2031)		37,680.00	37,680.00	100%	37,680.00	0%	-
29	TWDB Annual Loan Pmt Amount (4.07%, 10 Years, \$310,000, 1/2022)		38,664.00	38,664.00	100%	38,664.00	0%	-
30	TWDB Annual Loan Pmt Amount (.28%-5.79%, 30 Years, \$335,000, 1/2043)		22,699.20	22,699.20	100%	22,699.20	0%	-
	Nelson Lewis Loan Pmt Amount (4%, 3 Years, \$70,000,6/2018, annual PMT = \$24,800.16) Normalized for 30 years for supplement to original loan cost of \$335,000)		24,800.16	24,800.16	100%	24,800.16	0%	-
31			123,843.36	123,843.36	100%	123,843.36	0%	-
32			30,960.84	30,960.84	100%	30,960.84	0%	-
33			(8,235.13)	404,487.87	76.85%	310,823.13		93,658.74
34		412,723.00						
	Total Annual Debt Payments		4,010.285			\$ 88.40		
	Debt Coverage 1.25		25,763.37					
	Total Revenue Requirement							

STATE OF TEXAS

§
§
§


COUNTY OF SAN SABA

AFFIDAVIT OF ROGER WHATLEY

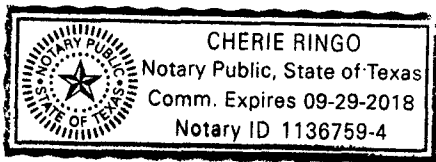
BEFORE ME, the undersigned authority, on this day personally appeared Roger Whatley, who, having been placed under oath by me, did depose as follows:

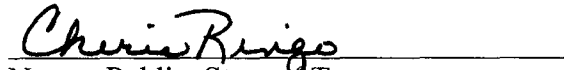
1. "My name is Roger Whatley. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based upon my personal knowledge.
2. The foregoing Third Supplement to Rebuttal Testimony of Roger Whatley on Behalf of North San Saba Water Supply Corporation and the attached exhibits have been prepared by me, under my direct supervision, or are co-sponsored by me and are true and correct to the best of my knowledge."

Further affiant sayeth not.


Roger Whatley

SUBSCRIBED AND SWORN TO BEFORE ME by the said Roger Whatley this 6th day of September, 2016.




Notary Public, State of Texas