



Control Number: 45570



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Addendum StartPage: 0

PUC DOCKET NO. 45570
SOAH DOCKET NO. 473-16-2873.WS

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APPLICATION OF MONARCH §
UTILITIES I, L.P. TO CHANGE RATES §
FOR WATER AND SEWER SERVICE §

BEFORE THE STATE OFFICE
OF PUBLIC UTILITY COMMISSION
FILING CLERK
ADMINISTRATIVE HEARINGS

**MONARCH UTILITIES I, L.P.'S RESPONSES TO
OFFICE OF PUBLIC UTILITY COUNSEL'S FIRST REQUEST FOR INFORMATION**

To: Office of Public Utility Counsel, by and through its attorney of record, Christiaan Siano, Assistant Public Counsel, 1701 North Congress Avenue, Suite 9-180, P. O. Box 12397, Austin, Texas 78711-2397.

Monarch Utilities I, L.P. ("Monarch") files its Responses to the Office of Public Utility Counsel's ("OPUC") First Requests for Information received April 1, 2016. This response is timely filed. This response may be treated by all parties as if it were filed under oath.

Respectfully submitted,

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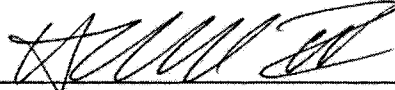
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ATTORNEYS FOR MONARCH UTILITIES I, LP

BJ

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of April, 2016, a true and correct copy of the foregoing document has been hand-delivered., sent via facsimile, e-mail, or first class mail to all parties of record.



WILLIAM A. FAULK, III

**PUC DOCKET NO. 45570
SOAH DOCKET NO. 473-16-2873.WS**

MONARCH'S RESPONSES TO OPUC'S FIRST REQUESTS FOR INFORMATION

OPUC RFI 1-1: Provide a copy of the preliminary rules referred to by Ms. Bordelon-Taylor on page 5 of her direct testimony that were used as the guide to develop the rate filing package.

RESPONSE: See Attachment OPUC 1-1.

**Prepared by: Bruce Connolly
Sponsored by: Carmelitha Bordelon-Taylor**

2015 FEB 27 PM 1:07

FILED BY: [illegible]
FILED IN: [illegible]

OPEN MEETING COVER SHEET

MEETING DATE: March 6, 2015

DATE DELIVERED: February 27, 2015

AGENDA ITEM NO.: 35

CAPTION: Project No. 43876—*P.U.C. Form Revisions for Phase II of the Implementation of HB 1600 Regarding the Economic Regulation of Water and Sewer Utilities*
Dehi Loockerman

ACTION REQUESTED: Proposal for Publication

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Public Utility Commission of Texas

Memorandum

2015 FEB 27 PM 1:07

FULL OF THE PUBLIC UTILITY COMMISSION
FILING CLERK

Date: February 27, 2015

To: Chairman Donna L. Nelson
Commissioner Kenneth W. Anderson, Jr.
Commissioner Brandy D. Marquez

From: Debi Loockerman, Rate Regulation Division

Re: Open Meeting, March 6, 2015—Agenda Item #35
Project No. 43876—*P.U.C. Form Revisions for Phase II of the
Implementation of HB 1600 Regarding the Economic Regulation of Water
and Sewer Utilities*
(Proposal for Publication)

Attached to this memo please find Staff's *Proposal for Publication* of the Rate Filing Package (RFP) form for Class A water and sewer utilities. Also attached is a draft of the *Texas Register* notice that seeks comments on the proposed form.

Background and Procedural Information

The provisions of House Bill 1600 of the 83rd Legislature (Regular Session) amended the ratemaking and reporting requirements for water and sewer utilities. Consistent with those provisions, the proposed RFP form for Class A water and sewer utilities includes more comprehensive and detailed filing requirements than those that were used previously.

Although this project is not a rulemaking proceeding, please note that the procedural steps that the Commission has traditionally used for adoption of a proposed or revised form are generally the same as those used in rulemakings: after notice in the *Texas Register*, and following the receipt of comments on the proposed form, Staff will develop and submit to the Commission a *Proposal for Adoption* of the form.

Informal Comments and Workshop

On January 27, 2015, Staff conducted a workshop and received comments on a strawman version of the form. This *Proposal for Publication* reflects Staff's consideration of these preliminary comments.

I am available to answer any questions you may have about the proposed form.

**PROJECT NO. 43876
PUBLIC UTILITY COMMISSION OF TEXAS**

**REQUEST FOR COMMENTS ON FORM FOR RATE FILING PACKAGE USED BY
CLASS A WATER AND SEWER UTILITIES**

The Public Utility Commission of Texas (commission) requests comments on a proposed application form that will be used by Class A water and sewer utilities to request changes in rates regulated by the commission. The proposed form can be found on the commission's website under "Filings," using Control Number 43876.

Comments on the proposed form may be submitted to the Filing Clerk, Public Utility Commission of Texas, 1701 North Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326. Sixteen copies of comments on the form are required to be filed. Initial comments on the form are due April 10, 2015 and reply comments are due April 24, 2015. Comments should be organized in a manner consistent with the organization of the form. All comments should refer to Project Number 43876.

Questions concerning Project Number 43876 should be directed to Debi Loockerman, Rate Regulation Division, at (512) 936-7384. Hearing and speech-impaired individuals with text telephones (TTY) may contact the commission at (512) 936-7136.

**ISSUED IN AUSTIN, TEXAS ON THE XX DAY OF MARCH 2015 BY
THE PUBLIC UTILITY COMMISSION OF TEXAS
ADRIANA A. GONZALES**

PUBLIC UTILITY COMMISSION OF TEXAS

**CLASS A INVESTOR-OWNED UTILITIES
WATER AND/OR WASTEWATER**

**RATE FILING PACKAGE
FOR
COST-OF-SERVICE DETERMINATION**

2015

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Minimum Filing Requirements for Class A Water and Wastewater Utilities

I. DEFINITION OF TERMS AND ACRONYMS

Please refer to the following definitions of terms and acronyms when completing your rate filing package.

A&G	Administrative & General.
ADFIT	Accumulated Deferred Federal Income Tax.
AFUDC	Allowance for Funds Used During Construction.
Allocation	For the purposes of the rate filing application, the process of dividing an expense or asset category between affiliates, customer classes, functions, rate regions, or rate jurisdictions.
Amortization	The gradual extinguishment of an amount in an account by distributing the amount over a fixed period (such as over the life of the asset or liability to which it applies).
Annualization	An adjustment to bring a utility's accounts to a 12-month level of activity (e.g., year-end number of active connections and revenues, operating expenses, and level of investment).
AWWA	American Water Works Association.
<u>Connections:</u>	
Active Con.	Water or Wastewater connections currently being served.
Inactive Con.	Water or Wastewater connections tapped to the applicant's utility and that are not currently receiving service from the utility.
Potential Con.	Total number of active plus inactive connections.
Customer Class	A description of a utility customer group provided service with distinctive characteristics such as nature of use and/or type of rate. With regards to rate-setting for basic utility service, a group of utility connections (active or inactive) with similar cost-of-service characteristics that takes service under a single set of rates.
CCN	Certificate of Convenience and Necessity.
COS	Cost of Service.
CWIP	Construction Work In Progress.
FASB	Financial Accounting Standards Board.
FIT	Federal Income Tax.
FTE	Full-Time Employee.

Function	Water and wastewater, as well as any other distinct functional classification of utility service by the utility that is based on cost-causation, such as storage.
Functionalization	The assignment or allocation of costs to utility functions (such as water or wastewater)
GAAP	Generally Accepted Accounting Principles.
GPM	Gallons per minute.
General Rates Revenues	Tariffed rates or revenues not including pass through charges, surcharges, or any specific recovery item.
IOU	Investor Owned Utility.
Block Rates	A rate structure set by usage blocks, typically inclining cost for increased usage, which changes the cost per 1,000 gallons as usage increases to the next block.
K & M	Known and Measurable; verifiable on the record as to amount and certainty of effectuation. Reasonably certain to occur within 12 months of the end of the test year.
M&S	Materials & Supplies.
Multi-Jurisdictional state.	A utility that provides water and/or wastewater service in more than one state.
NARUC	National Association of Regulatory Utility Commissioners.
Normalization	The inter-period allocation, such as the spreading of income tax effects of accelerated depreciation deductions, for regulatory ratemaking purposes. Normalization can also include in-period known changes such as elimination of revenue, expense, and rate base effect of nonrecurring events, and normalization of the effect of irregular and infrequent events.
O&M	Operations & Maintenance.
OPUC	Office of Public Utility Counsel.
PHFU	Plant Held for Future Use.
PUC/PUCT	Public Utility Commission of Texas.
PURA	Public Utility Regulatory Act.
ROR	Rate of Return.
Rate Region	An area within Texas for which the applicant has set or proposed uniform tariffed rates by customer class.

Test Year The most recent 12-month period, beginning on the first day of a calendar or fiscal year quarter, for which operating data for a retail public utility are available.

TWC Texas Water Code.

II. GENERAL INSTRUCTIONS

The following instructions are applicable to all schedules required in the Water and/or Wastewater Class A Investor-Owned Utility (IOU) Cost-of-Service Rate Filing Package, for areas served by a Class A IOU located outside the corporate boundaries of a municipality, unless the municipality has surrendered jurisdiction to the Commission or unless otherwise noted. Class A utilities operating inside the corporate boundaries of a municipality should contact the municipality to increase rates inside the corporate boundaries of the municipality. Utilities providing both water and wastewater retail utility service subject to the Commission's jurisdiction shall include all regulated functions and non-regulated functions if expenses are allocated, such as wholesale service, or multi-jurisdictional services in each rate case with transparent information on all allocations performed to determine each cost of service, regardless of whether the purpose of the rate filing is to change water rates only, wastewater rates only, or to change both water and wastewater rates simultaneously with one filing. Utilities that solely provide either water or wastewater service and are subject to the Commission's jurisdiction need only include schedules reflecting the service provided.

1. Unless otherwise indicated, the information required in this filing will be taken from the utility's audited accounts and records as prescribed in the National Association of Regulatory Utility Commissioners (NARUC) chart of accounts. All mentions of the term "NARUC account" refer to the NARUC chart of accounts.
2. **Testimony and schedules:** The utility shall provide direct testimony in support of its rate filing request and include the required schedules and workpapers with the application filing. Schedules, relevant data, and supporting workpapers (to the extent that the workpapers have been developed in Microsoft Excel) shall be provided in electronic format, including active Microsoft Excel workbooks and all linked workbooks with all formulas, cell references, links, etc., intact, functioning, and complete for all tables, figures, and attachments in the testimony except where no such workpapers exist. The workpapers, workbooks and other information in support of the testimony are not required only if the information is duplicative and provided elsewhere in the filing, provided that the utility provides a specific citation (Bates page number, etc.) to where the workpaper can be found in the RFP. In situations where no supporting workpapers exist, a utility shall affirmatively state that there are no workpapers. To the extent that information in the cells of Microsoft Excel workbooks is hard-coded, the company shall provide the source of information for the hard-coded data in narrative format by including explanatory information in "comments" within the cells. **Please note: Filed rate applications that do not include active Microsoft Excel workbooks consistent with the above requirements shall be considered deficient.**

Additionally, in an attached Executive Summary narrative or in the testimony of an overview witness, the utility shall provide a comparison of the currently approved rate base, rate of return, sales/other revenues, operating expenses by major category (e.g., Operations & Maintenance, depreciation, other taxes, income taxes), and operating income as authorized in the utility's last rate case and as proposed with amounts for each item sought in its current request; an explanation of the cost/revenue drivers causing rates to change; and a complete listing of each testifying witness, the general subject matter addressed by the witness, and the volume number and Bates page number on which each witness's testimony begins. The utility may provide Bates page numbering in the alternate format provided in General Instruction No. 15. The utility should also provide this information for the rates being proposed in this filing package.

3. For the filing of the RFP, the information reported shall be based on the Test Year unless otherwise directed by these instructions.
4. **Numbering of Schedules.** Schedules shall be referenced by schedule number and name as indicated in each instruction and shall identify the witness sponsoring the schedule. Each line of each RFP schedule shall be numbered. Schedules which are not applicable shall be so designated and shall include an explanation of why the schedule is not applicable.
5. The applicant must transparently provide all information on affiliate charges and/or allocations in the cost of service. Summary schedules and required income statements and balance sheets shall be supported with detailed schedules using the NARUC chart of accounts. Detailed schedules shall include information by NARUC account and shall be in accordance with the following instructions:

- | | |
|----------------|---|
| Column (1): | The utility's Texas audited financial statements for the test year prepared in accordance with GAAP; |
| Column (2): | the adjustment necessary to remove non-regulated or non-utility amount from column (1) and items prohibited by statute or Commission rule with appropriate explanations of allocations; |
| Column (3): | the adjustments for known and measurable changes to the test year or amounts transferred from one NARUC account to another; |
| Column (4): | Column (1) plus or minus Column (2) and (3); |
| Column (5): | Name of Allocation factor (add narrative and tables if more than one factor is used); |
| Column (6-12): | Allocation of Column (4) to Texas regions or divisions within the applicant's Texas operations (adjust the column numbers to the number of divisions or regions); |
| Column (13): | Total allocated to Columns (6) to (12): this amount should equal amount in Column (4). |

Note a: The utility shall provide workpapers which detail the amounts transferred from one NARUC account to another as a result of any changes in NARUC accounting

instructions. Supporting calculations and the basis for each transferred item shall also be included in these workpapers.

Note b: The utility shall provide workpapers which detail and support the allocations of column (4) to columns (6) through (12). These workpapers shall contain all supporting data and calculations that form the bases for such allocations.

Note c: Utilities shall provide workpapers that detail the affiliated items included by NARUC account and support the allocation methods used to derive the amounts included. The workpapers shall include the total amount incurred by affiliate that is allocating costs to the utility as well as the amount allocated to the utility and each affiliate shown separately.

Note d: These instructions refer to the NARUC chart of accounts; however, if the utility has accounts on its books not included in the NARUC chart of accounts, then the utility shall add those accounts, and provide a chart of accounts with the application.

Note g: Items reported in these schedules shall be developed consistent with the instructions for the same items applicable elsewhere in the RFP.

6. Reclassifications shall be documented in the appropriate schedules and amounts assigned to the functions as appropriate; additionally, the purpose of and support for reclassifications shall be provided. Reclassified costs shall not be transferred from one account to another. Transfers shall only be used to make accounting adjustments in accordance with NARUC accounting instructions.

7. Adjustments to Test Year balances shall be made for the removal of items not included in the utility's cost of service by statute or Commission rule. Additionally, adjustments shall be made to the Test Year to remove nonrecurring costs and normalize unusual expenditures. Workpapers detailing and explaining the adjustments made shall be provided.

8. **Allocations:** Costs (or revenues, where appropriate) shall be assigned or allocated using the following three-tier process. All utilities must include water and wastewater as functional divisions, and may include other functional divisions consistent with cost-causation principles, such as storage.

a. First tier: For each NARUC account, costs shall be directly assigned to region, division, function or class to the extent reasonably possible, and consistent with cost causation principles, with all relevant workpapers provided. For NARUC accounts that contain amounts allocated using multiple allocation factors, or that are directly assigned along with amounts that are allocated, a breakdown of directly assigned costs and costs by each allocation factor used shall be provided.

- A schedule reflecting direct assigned costs between each jurisdiction for multi-jurisdictional utilities for the test year and two calendar years prior must be provided.

- A schedule reflecting direct assigned costs between Texas affiliates and/or rate divisions for the test year and two calendar years prior must be provided. The schedules shall reflect amounts allocated between affiliates over the historical three year period, including direct assignments. Significant changes in percentages of direct charges and allocations must be explained.
- b. Second tier: The utility shall provide detailed workpapers documenting the nature of any costs that cannot be directly assigned. For adequately documented costs, the utility may derive an account-specific allocation factor based on the directly assigned costs or appropriate cost-causation principles. The utility must justify the assignment or allocation of common costs to regulated functions, jurisdictions, or retail connections, and must present evidence to support any such assignment or allocation.
- c. Third tier: If adequately documented costs remain for which direct assignment or account-specific allocation cannot be identified, the appropriate allocation factor based on cost-causation principle should be presented and explained. A key for the allocation factor(s), including name and number, must be presented and referred to throughout the application. The utility shall provide a detailed justification for the chosen functionalization factor.
- d. All allocations and assignments and related calculations must be supported by workpapers and spreadsheets. Columns may be expanded into multiple columns to individually identify the differing types of adjustments. For multi-jurisdictional utilities, columns or additional spreadsheets must be provided to show comparative allocations between jurisdictions with transparent allocation information and justification for amounts allocated to Texas. Utilities shall provide workpapers and explanatory documentation detailing the nature of each adjustment and known and measurable changes.
- e. Allocation factors shall be identified as to whether they:
1. were derived using data developed within the applicant's model ("internal"),
 2. were weather normalized, or
 3. vary according to the functional, regional, or class revenue requirements.
9. **Customer Class Allocation.** Where multiple customer classes are served by a utility, costs (or revenues, where appropriate) shall be assigned or allocated to the customer classes based on cost-causation principles. In addition to any information necessary to evaluate any proposed customer class creations, consolidations or subdivisions for rate-setting purposes, information must be presented using consistent customer classifications throughout the rate filing package, with no customer class consolidation or subdivision occurring from the class cost of service phase wherein the cost of service for each class is determined, through the revenue allocation phase wherein each class revenue requirement

is proposed, through the rate design phase wherein a set of rates is proposed for each customer class based upon the class revenue requirement.

10. **Workpapers.** Concurrently with the filing of 10 copies and one original (11 sets total) of the RFP, the utility must also separately file with the Commission 11 complete sets of workpapers used in the preparation of certain schedules, subject to the provisions of General Instruction No. 13 dealing with voluminous workpapers. The utility shall also concurrently file 11 copies of its entire direct case, including all testimony and exhibits. In addition, one (1) complete set of the same RFP, testimony, exhibits and workpapers shall be delivered to the Office of Public Utility Counsel on the date of filing.
 - a. Workpaper referencing format: For workpapers supporting RFP schedules, the workpaper reference shall always begin with the characters "WP/" followed by the schedule to which the workpaper refers. Specific workpapers shall then be referenced by ascending numbers. The resulting series of workpapers shall have a pyramid structure, with the top workpaper (the workpaper with the least complicated reference, for example WP/I-A) being the workpaper which directly reflects the amounts shown on a particular schedule (in this case, Schedule I-A). The next level down the pyramid (using the A-1 series, this would be WP/I-A/1) would contain information which explains a portion of the top workpaper (in this case, WP/I-A). Each successive level down the pyramid would explain something from the next higher level.
 - b. Workpaper content: All assumptions, calculations, sources, and data supporting allocation or functionalization of the Test Year expenses and/or balances shall be included in the workpaper supporting each schedule. In addition, specific numbers which "tie" between the schedule and the workpaper must be referenced on both the workpaper and the schedule.
 - c. Workpaper location: All workpapers not considered voluminous (See General Instruction No. 12, below) shall be organized and appear in the same order as the schedules they support. Workpapers supporting testimony shall appear behind the testimony they support. For testimony workpapers provided electronically, specific citations to electronic copies shall appear behind the testimony supported.
11. **Electronic files.** All documents created in native electronic format (e.g., Microsoft Word, Microsoft Excel, or similar compatible formats) in the RFP, including testimony and schedules, shall be served upon all intervenors in the utility's most recent major rate case in the same native electronic format via CD ROM, flash drive, electronic mail, or similar electronic means on the date of filing. For each witness, testimonies shall be filed in separate electronic files in native Microsoft Word format and may, at the utility's discretion, also be filed for each witness in separate files in PDF format.
12. **Confidentiality.** If the utility claims that requested information is confidential, a statement to that effect shall be included in the filing package in the schedule where the information is requested. All information requested in the schedule for which the utility does not claim confidentiality shall be included in the filing package schedule. The utility shall include a signed statement by its attorney that presents, for each schedule for which the utility claims that the requested information is confidential, the claimed

reasons that the information should be treated as confidential and that states that the attorney has reviewed the information sufficiently to state in good faith that the information is confidential.

Until a protective order is issued, the utility shall provide the Commission or a party granted intervenor status the information claimed to be confidential if the party agrees to be bound by the draft protective order as if it had been issued. Use of the draft protective order as a confidentiality agreement pending issuance of a protective order does not preclude issuance of a protective order that differs from the draft protective order.

13. **Voluminous material.** For any individual schedule or supporting workpaper that consists of 100 or more pages the information shall be provided on CD, flash drive, or other modern electronic storage medium, or by making the information available to parties via an internet file hosting service. If the volume of the data meets the threshold for the "freight car doctrine" [eight (8) linear feet of documents], the requested material shall be made available at its normal repository on the date of filing. The utility shall provide a schedule detailing all normal repositories and cross-reference all RFP schedules to the information contained in those repositories. For the purpose of this General Instruction, each subpart of each section is a separate schedule (e.g., Schedule I-A, II-B, II-C, etc., are all separate schedules). The utility shall deliver a copy of all voluminous materials not subject to the "freight car doctrine" to both the Commission's Legal Division and the Office of Public Utility Counsel on the day of filing the RFP application.
14. **Update.** For all schedules designated required in the instructions with the label "update required," the utility shall provide all information subsequent to test year end but not previously provided in the rate filing package. This information shall be filed 45 days after the original date of filing. The update shall include all available information not previously presented and shall be presented in the same format as the rate filing schedule for which the update is required. Updated schedules shall be filed in the same format as that of the original schedules.
15. The utility shall file a comprehensive index that lists each witness's testimony and the location of the corresponding schedules and workpapers by Bates page. The index shall also include the schedules to the RFP and related workpapers by Bates page.
16. If a particular schedule is not applicable, the utility shall supply a statement in its place indicating that the schedule is not applicable. The utility shall also include a simple explanation indicating the reason the schedule is not applicable.

III. STATEMENT OF INCOME

1. Provide the utility's comparative operating statements for the historic test year and the immediately preceding calendar year showing increases and decreases between the two periods. These statements should supply detailed explanation of the causes of the major (greater than

15%) variances between the historic test year and preceding year by detailed account number. Limit the explanation to differences of \$5,000 or greater.

2. Prepare an income statement for the test year of the rate proceeding including:

Column 1— Book recorded income statement for the test year.

Column 2—Adjustments to book recorded income statement to annualize and normalize under present rates.

Column 3—Income statement under present rates after adjustments in Col. 2.

Column 4—Adjustments to Column 3 for revenue increase requested.

Column 5—Income statement under proposed rates.

3. If a utility has separate operating divisions or regions in Texas, an income statement must be shown for each division and/or region, plus an income statement for the utility as a whole. If the utility has affiliate(s) providing water service in Texas, provide an income statement for all affiliates providing water service in Texas. Similarly, if the utility has affiliate(s) providing wastewater service in Texas, provide an income statement for all affiliates providing wastewater service in Texas. If the utility provides both water and wastewater service, then the utility must provide income statements for both and also for its affiliates, if any.

4. Provide operating income claims under:

- a. Historical present rates.
- b. Present rates (annualized & normalized).
- c. Proposed rates.

5. Provide rate of return on net invested capital under:

- a. Historical Present rates.
- b. Present rates (annualized and normalized).
- c. Proposed rates.

IV. OPERATING REVENUE

1. Prepare a summary of operating revenues for the historic test year and the calendar year preceding the historic test year, providing the following information:

a. For each classification of connections:

- (i) Number of active and inactive connections as of beginning of year and year-end.
- (ii) Gallons sold.
- (iii) Revenues.

b. Customers' penalties and miscellaneous water and/or wastewater revenues.

2. Prepare a summary of operating revenues for the historic test year, providing the following information:

a. For each classification of customers and for customers' penalties and miscellaneous water or wastewater revenues:

- (i) Historical Revenues.
- (ii) Annualizing and normalizing adjustments to arrive at adjusted operating revenues for ratemaking.
- (iii) Proposed increase in operating revenues.
- (iv) Percent increase in operating revenues which shall match your notice for this rate/tariff change application.
- (v) Operating revenues under proposed rates.

3. Provide a schedule of present and proposed tariff rate revenues showing dollar change and percent of change by customer class (if any) and by block, if usage blocks are used to produce the gallonage rate. Provide increases to customers at various monthly uses (each 5,000 gallon consumption increment) showing billings at existing and proposed rates. For residential, the various monthly uses should include zero to 20,000 gallons (approximately 5 billings with usages of zero, 5,000, 10,000, 15,000 and 20,000 gallons), unless the customer class is not residential or is residential and has unusually high usage. For non-residential or unusually high average residential usage, billings in a range representative of 80% of users should be presented. Provide also an explanation of any change in block structure and the reason therefor. Provide a copy of the proposed tariff or tariff supplement on a red line basis, to easily identify any changes. Historical usage for each block in the test year shall be provided.

4. Provide for the adjusted test year a detailed customer consumption analysis and the application of rates to support present and proposed revenues by customer classification (if any) and tariff rate schedule.

5. Provide detailed computations of the determination of accrued revenues as of historic test year-end and year-end immediately preceding the historic test year, together with a detailed explanation of the procedures and methods used in developing accrued revenues.

6. Provide a detailed breakdown of miscellaneous water and/or wastewater revenues for the historic test year and the calendar year immediately preceding the historic test year. For the historic test year, provide a monthly breakdown and an explanation of monthly variances greater than 15%.

7. Provide a monthly summary of active connections added and lost by customer classification (if any) for the historic test year and the current year-to-date for water and/or wastewater service.

8. Provide for the historic test year and the current year-to-date, the number of active connections and monthly consumption for each classification of customers by block, if rates include inclining block provisions.

9. Provide by customer classification (if any) for the historic test year and for two calendar year prior immediately preceding the number of active connections and consumption.

10. Provide a breakdown of the number and size of private fire services, if any, according to the general water service class of customers.

a. Provide a listing of all public fire protection customers at historic test year-end and the billing of current rates for each customer.

11. Provide a detailed schedule of sales for resale revenues (wholesale) for the historic test year and two preceding calendar years showing revenues and units sold by customer.

12. Provide for the historic test year and the two prior calendar years consumption and billings for the ten largest water and/or wastewater customers at current rates. Provide the historic and adjusted test year consumption priced at proposed rates for water and/or wastewater customers.

13. Provide for the historic test year and the two prior calendar years consumption and billings for the ten largest sales for resale customers if such sales are not included in sales to the ten largest customers requested in Part II.12.

V. OPERATING EXPENSES

1. Adjustments to Test Year

An explanation for each adjustment appearing on the utility's adjustment schedule shall be made. Each adjustment shall include references to the appropriate testimony and the detailed supporting workpapers which present computations, analyses, and justification for the requested adjustments. The adjustment shall be provided by NARUC account and identify the sponsoring witness(es). In addition, the adjustment shall reference the specific line on the adjustment schedule to which the adjustment applies. A short justification of the cause of the requested increase or decrease in expense shall also be provided, if not provided in the referenced testimony. For adjustments to NARUC accounts that contain amounts that are subdivided in the RFP into separate line items for purposes of functionalization or allocation, adjustments shall be presented similarly subdivided into the separate line items. The following format shall be used:

Category of Expense (e.g., O&M)

Description	Schedule I-A-1 Reference	Workpaper Reference	Amount	Sponsoring Witness
Expense amount, as adjusted by NARUC Account			\$	
Less: Amount per books (test year) by NARUC Account			-	
Adjustment by NARUC Account			\$	

Justification for requested adjustments:

2. Prepare a summary of operating expenses by NARUC operating expense account for the historic test year and the two calendar years preceding the test year for water and/or wastewater services.
3. Prepare a summary of operating expenses for the historic test year providing annualizing and normalizing adjustments to arrive at adjusted operating expenses for ratemaking, including supporting data, for water and/or wastewater services. Include any known and measurable changes with full calculations and explanations.
4. List extraordinary property losses as a separate item, not included in operating expenses or depreciation and amortization for water and/or wastewater services. Sufficient supporting data must be provided, such as explanation and breakdown of costs.
5. Supply detailed calculations of estimated and incurred rate case expense, including supporting data for outside services rendered for water and/or wastewater services. Provide the items comprising the rate case expense claim (include the actual billings or invoices in support of each kind of rate case expense) and the items comprising the actual expenses of the prior rate cases.
6. Submit detailed computation of adjustments to operating expenses for salary, wage and fringe benefit increases (union and nonunion merit, progression, promotion and general) granted during the historic test year and during the 12 months subsequent to the historic test year for water and/or wastewater services. Supply data for the historic test year showing:
 - a. Actual payroll expense (regular, overtime and other separately) by categories of operating expenses, i.e., maintenance, operating transmission, distribution, other.
 - b. Actual payroll expense (regular, overtime and other separately) by month for the test year and one year prior, with totals provided for two calendar years and the test year.
 - b. Date, percentage increase and annual amount of each general payroll increase during the historic test year and adjusted test year.
 - c. Dates and annual amounts of merit increases or management salary adjustments.
 - d. Total annual payroll increases in the historic and adjusted test years.
 - e. Proof that the actual payroll plus the increases equal the payroll expense claimed in the supporting data by categories of expenses.

- f. Detailed list of employee benefits and cost thereof for union and nonunion personnel. Specific benefits for executives and officers should be included, and costs thereof.
 - g. Support the annualized pension cost figures by providing the following:
 - (i) State whether these figures include any unfunded pension costs. Explain.
 - h. Submit a schedule showing any deferred income and consultant fee, paid to both corporate officers and employees in historic and adjusted test years.
 - i. Provide the number of employees as follows: average total number for each of the past five years; number of employees at the end of each month of the test year and two previous years;
7. Describe costs relative to leasing equipment, computer rentals, and office space, including terms and conditions of the lease for the purpose of providing water and/or wastewater service. Explain the method of calculating monthly or annual payments. If allocated from the parent utility, provide the method of allocation.
8. Submit detailed calculations (or best estimates) of the cost resulting from storm damage to water and/or wastewater facilities and/or equipment.
9. Submit details of expenditures for advertising (national, institutional and local media). Provide a schedule of advertising expense by media categories for the historic test year and the prior two comparable years with respect to providing water and/or wastewater service regarding:
- a. Public health and safety.
 - b. Conservation of water.
 - c. Explanation of billing practices, rates, rules and regulations.
 - d. Provision of factual and objective data programs in educational institutions.
 - e. Other advertising programs.
 - f. Total advertising expense.
10. Prepare a detailed schedule for the historic test year showing types of social and service organization memberships paid for by the utility and the cost thereof.
11. For water and/or wastewater services, submit a schedule showing a breakdown by the expenditures associated with outside services employed (by NARUC account), regulatory Commission expenses, showing expenses relating to rate cases separately, and miscellaneous general expenses, for the historic test year and prior two calendar years.
12. Submit details of information covering research and development expenditures, by NARUC account and by project, within the utility for water and/or wastewater services.

13. Provide a detailed schedule of all charitable and civic contributions by recipient and amount for the historic test year.
14. Provide the two most recent actuarial studies for both pension expense and postretirement benefits other than pensions (OPEBs), including the report(s) relied on for the utility's requested OPEB expense.
15. Identify the total pension expense understatement of accounting standards for the historic test year and the portion charged to operation and maintenance (O & M). Include an analysis showing the contribution to the pension plan and the amount deferred or expensed for each of the past two calendar years and the historic test year. Also provide any estimates for the adjusted year.
16. Provide a reconciliation between the OPEB cost reflected in the OPEB actuarial report(s) and the Company's requested OPEB expense. Provide a narrative explanation of all adjustments, including the application of the expense ratios or percentages. Describe the source(s) of the expense ratios (percentages) and provide the calculations.
17. Provide the OPEB cost, OPEB expense, and OPEB funding payments for each OPEB plan by NARUC account
18. Update required for #17 above if actuarial information or actual payments for OPEBs change subsequent to the test year end.
19. Identify the actual or adjusted amounts contributed to SFAS No. 106 funds for the historic and adjusted test years. Identify the actual or adjusted dates and amounts of the contributions.
20. Explain the funding options or plans which are being used for SFAS No. 106 costs. Identify the portion of costs which are eligible for tax preferred funding.
21. State whether the utility is studying or anticipating any changes to its postretirement benefits offered to employees as a result of SFAS No. 106 or for other reasons. If yes, provide the study and explain the anticipated change.
22. State whether the historic test year expenses reflect any accruals for postemployment benefits. If yes, provide complete details including supporting documentation, assumptions, and funding mechanisms.
23. Provide a copy of all incentive compensation and bonus plans and provide the level of related bonus/incentive payments included in the cost of service. Provide information for the preceding two calendar years and any changes since the last rate case. Identify test year expense amounts and adjusted test year amounts for all incentive compensation and bonus plans based on financial measures by NARUC account.

24. Provide the most recent insurance premiums for each type of insurance coverage, both employee benefit and those purchased for the utility, reflected in the utility's filing (by NARUC account). If available, provide estimated premiums for the subsequent calendar year.
25. Provide the level of payments made to industry organizations by NARUC account included in the cost of service along with a description of each payee organization. Provide the dollar amount attributable to lobbying. If no dollar amount is available or identifiable, provide a statement from the organization paid that states what percent of its member payments are used for lobbying.
26. If the utility has included any costs associated with canceled construction projects or obsolete inventory in requested rates, separately identify the items by NARUC account, provide the related amounts and explain the reason for the cancellation or obsolescence for water and/or wastewater projects and inventory.
27. Explain how the utility accounts for vacation pay for book and ratemaking purposes. Provide amounts for total vacation pay actually paid, accrued, and expensed for the test year and preceding two calendar years by NARUC account.
28. Indicate whether any employee positions have been eliminated since the commencement of the historic test year or are expected to be eliminated during the adjusted test year.
29. Furnish the name of each supplier, gallonage purchased, and expense recorded for water purchased as recorded in Water Purchased for Resale-Account 706 for the historic test year and two preceding years.

V-K. Affiliate Data

1. Schedule K: Affiliate Data V-K-1 Affiliate Expenses by NARUC Account

This schedule shall show affiliate expenses by NARUC account grouped and subtotaled by class of items for the Test Year.

V-K-2 Adjusted Affiliate Expenses

This schedule shall show affiliate expenses listed by affiliate by NARUC account on a per book basis, with specific pro-forma adjustments; and on an adjusted basis for the Test Year.

V-K-3 Organization Chart

Provide an organization chart for the utility system showing both regulated and non-regulated affiliates as of the end of the Test Year.

V-K-4 Description of Services

This schedule shall provide a description of types of services provided by other affiliates to the utility for the Test Year. The description shall be provided by project code, work order, or other utility terminology used for accumulation of costs identified within each project code/work

order/other utility terminology by NARUC account. This schedule of project codes/work orders/other utility terminology shall include the test-year project code/work order/other utility terminology amount, adjustments to the test year, exclusions from the project code/work order/other utility terminology, and the requested amount for the project code/work order/other utility terminology.

V-K-5 Capital Projects

Schedule showing capital projects by affiliate amounts closed to plant-in-service as of the end of the Test Year since the last base rate case or four years, whichever is shorter, unless ordered otherwise, and a discussion of the significant projects based on amount or project category.

V-K-6 Adjustments to Test Year Expenses

This schedule shall show adjustments to per book costs for the Test Year including the description, purpose, and amount for each adjustment. This schedule must correlate with the Schedule V-K-2 listing pro-forma adjustments to Test Year. For any item where a difference exists between Schedule 2 and this schedule, a reconciliation must be provided.

V-K-7 Statutory Requirements

For each class of affiliate charges in the Test Year, this schedule will show the categories of services included in the affiliate transmission and distribution costs; the amount in the Test Year; a discussion of necessity and reasonableness of the services/costs; and a "no higher than" standard analysis.

V-K-8 Services Provided to Affiliates

This schedule shall detail services provided by the utility to its affiliates. The schedule format shall list the affiliate company receiving the identified service and the amount per service charged to the affiliate by the utility by NARUC account.

V-K-9 Allocation of Affiliate Costs

This schedule shall consist of a description of the affiliate billing process, including the manner in which costs are recorded by project/activity code, work order, or other utility terminology and the process by which costs are allocated to each affiliate. This schedule shall include allocation formulas and their derivations for the Test Year.

V-K-10 Controls

This schedule shall describe controls that are in place during the Test Year to ensure appropriate billing for affiliate services. These controls shall include (but shall not be limited to) controls related to internal audits, external reviews, frequency with which allocation formulas are updated and internal procedures for challenges to affiliate expenses billed (such as billing review committees and processes for correction of billing errors).

V-K-11 Affiliate Billing Methods

This schedule shall show the billing methods used by affiliates to bill net requested costs by region to the utility.

V-K-12 Amounts Billed to Each Affiliate

This schedule shall show the amounts and percentages of each expense by region billed to the utility and each affiliate for each billing method.

V-K-13 Affiliate Project Codes/Work Orders/Other Utility Terminology Created/Closed in Test Year

This schedule shall provide a list of project codes, work orders, or other utility terminology created during the test year. It shall also include a list of project codes, work orders, or other utility terminology retired during the test year. Information shall also be provided for the prior three calendar years.

V-K-14 Affiliate Payroll

This schedule shall show the amount of affiliate payroll included in the test year by NARUC account, by affiliate.

2. For each affiliated entity, region and division providing water and/or wastewater service in Texas, for services rendered included in the operating expenses of the filing utility for the historic and adjusted test years and for the 12-month period ended prior to the historic test year:

- a. Supply a copy of contracts, if applicable.
- b. Explain the nature of the services provided.
- c. Explain the basis on which charges are made.
- d. If charges are allocated, identify allocation factors used.
- e. Supply the components and amounts comprising the expense in this account.
- e. Provide details of initial source of charge and reason therefor.
- f. Provide the total amount incurred by the affiliate, the amount allocated to the utility and each other affiliate separately.

GUIDING PRINCIPLES - AFFILIATES

1. To the extent that the affiliate standard prescribed by §13.185 of TWC is applicable in this filing, it shall only be applied to all affiliated costs, and the Commission and other parties will be provided the affiliate costs charged to other regions or internal cost centers as defined by the utility, as well as other affiliates.
2. The following are examples of the types of evidence that may be presented to support the utility's burden of proof for the recovery of affiliate costs:
 - a. historical cost trends;
 - b. process improvements aimed at achieving efficiency;

- c. benchmark data. It is acknowledged that benchmark comparisons may not be available for all transmission and/or distribution-related costs. To the extent that certain relevant costs are not included in the benchmark data used for comparison purposes, other evidence may be provided to address those costs.
- d. outsourcing results;
- e. proof of customer benefit;
- f. a showing that services are not duplicated at the utility;
- g. comparison of Test Year costs to costs that would be expected if the utility were a stand-alone company; cost control processes (e.g., budget, billing, audits); reviews by independent third parties; operational performance statistics; information regarding quality of management; service performance metrics; and FTE statistics.

The items listed above are for illustrative purposes only; the utility shall provide whatever information is necessary to meet its burden of proof.

VI. OTHER ITEMS

1. Required Other Items (SCHEDULE E) - OTHER ITEMS

VI-E-1: Depreciation Expense

This schedule shall show the utility's overall depreciation expense for the Test Year for utility plant and shall be based on Commission-approved depreciation rates or an updated depreciation study. If a utility does not have Commission-approved depreciation rates, depreciation shall be calculated based on the rates approved by the utility's governing body. Documentation supporting the approval of the depreciation rates used shall be provided. Utility plant depreciation rates and depreciation expense shall be shown by NARUC Account, allocated and/or functionalized pursuant to General Instructions. All adjustments appearing on this schedule shall be referenced to detailed workpapers, computations, and analyses. Presentation shall be such that amounts can be readily determined and all costs to be included in each function shall be referenced to the detailed schedules and/or the appropriate workpapers, computations and analyses. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors. Differences between the requested depreciation expense as presented in this schedule, the depreciation study, and any other schedule provided in the RFP with regard to depreciation shall be reconciled and the reconciliation shall include supporting workpapers.

VI-E-2: Taxes Other Than Federal Income Taxes

This schedule shall show the amount of other taxes, excluding federal income taxes, assessed on or paid for by the utility for the Test Year, functionalized pursuant to General Instructions. Each type of tax should be listed individually (e.g., SUTA, FUTA, FICA, sales tax, Texas Margins, etc.). Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule II-F. All adjustments shall be fully and clearly explained in supporting workpapers. Workpapers shall include tax returns and extension requests for all periods during and subsequent to the test year. **Update required as applicable.**

Note: To the extent that PURA identifies the functionally separated business entities of the utility that are responsible for payment of specific revenue-related taxes, these taxes will be directly assigned to these entities in accordance with the statute.

Note: To the extent taxes other than income taxes apply to incentive compensation payments, those amounts shall be separately identified by tax type, directly incurred, and allocated by affiliate.

VI-E-2.1: Ad Valorem Taxes & Plant Balances

This schedule shall present the amount of ad valorem taxes assessed, and penalties paid by function for the Test Year and preceding three calendar years. In addition the book plant balances at the beginning of each of those years as well as the plant balances on which the associated ad valorem taxes were assessed shall be presented.

For purposes of calculating property tax expense, the Company shall provide any CWIP and/or obsolescence factors applied to its plant in service balance. Those factors shall be provided for the test year and the prior three calendar years.

If payments for ad valorem taxes were made to a taxing jurisdiction subsequent to the test year, the Company shall provide the amount and indicate the date of payment.

The Company shall confirm whether CWIP is subject to ad valorem tax and at what percent. Also, the Company shall provide the amount of property taxes expensed and the amount capitalized for the test year.

The Company shall indicate whether it pays taxes on plant leased to others and whether or not it is reimbursed for these taxes.

The Company shall indicate whether its ad valorem taxes include taxes on investment deemed imprudent by the Commission and identify the amount of taxes and the associated plant balance.

The Company shall indicate whether its ad valorem taxes include taxes on property which is not used and useful in providing utility service and identify the amount of taxes and the associated plant balance by NARUC account.

The Company shall provide the following for ad valorem taxes.

1. Total taxes paid for the three calendar years prior to the test year by state, if other than Texas.
2. The accounting distribution of taxes paid for the three calendar years prior to the test year (expense, capital, and other by NARUC account).
3. The total gross and net book values upon which such taxes were assessed and paid for three years prior to the test year. The Company shall distinguish by component as applicable (plant in service, materials and supplies, CWIP, etc.)
4. Property taxes charged to electric expenses for each month of the test year by NARUC account.
5. The effective ad valorem tax rate.

NOTE: All of the following federal income tax related schedules are to be filed by function.

VI-E-3: Federal Income Taxes

Federal Income Taxes shall be calculated using the return method for the Test Year, functionalized pursuant to General Instructions. Supporting explanations and calculations shall be referenced to this schedule, and if not found elsewhere in the RFP, shall be provided as workpapers to this schedule. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced.

VI-E-3.1: Reconciliation of Test Year Book Net Income to Taxable Net Income

This schedule shall include a complete reconciliation of book net income and taxable net income for the test period and for the most recent year for which a tax return was filed in the same format as required by the Federal Internal Revenue Service. A complete explanation of all items in the reconciliation shall be included. A copy of the workpapers containing supporting calculations for each item in the reconciliation shall be filed in the voluminous room concurrent with the filing of the rate filing package (RFP) and shall be referenced to this schedule. If the claimed tax allowances do not take into consideration all items appearing in the reconciliation for the most recent tax return, the reasons therefor shall be submitted.

VI-E-3.2: Reconciliation of Timing Differences

This schedule shall include a reconciliation detailing those timing differences and other items that would produce federal income taxes at a rate differing from the statutory rate book net income for the test period. A complete explanation of all items in the reconciliation shall be included. Supporting calculations for each item in the reconciliation shall be filed in workpapers to the RFP and shall be referenced to this schedule.

VI-E-3.3: Plant Adjustments

This schedule shall provide the following information for any new transmission and distribution assets by function (purchased or constructed since the company's last complete rate case) and any requested adjustment to test year thereto:

1. Tax in-service date.
2. Tax basis.
3. All applicable forms of tax depreciation method, class, etc.
4. Amount of all applicable forms of tax depreciation for the test year and amounts projected for the subsequent two years.
5. Amount of ADFIT as of test year end.

VI-E-3.4: Consolidation/Inter-Corporate Tax Allocation

This schedule shall provide a detailed explanation of the accounting for inter-corporate tax allocation. This schedule shall include a discussion of events that give rise to inter-corporate payments and receipts, journal entries used to record the various events, and the rationale for the accounting treatment. A copy of all inter-corporate tax allocation agreements in effect for the test year or anticipated changes subsequent to the test year shall be filed in workpapers to the RFP and referenced to this schedule.

VI-E-3.5: ADFIT

This schedule shall provide test year end book balances, requested adjustments to these balances, and the resulting adjusted balances by function for accumulated tax deferrals. This schedule shall also show the monthly book balances of accumulated tax deferrals by function for each of the 12 months of the test year. This schedule shall also include the additions and reductions for the test year. Each item giving rise to the tax deferrals shall be segregated. In addition, please provide an explanation of any changes in the Company's accounting for deferred federal income

taxes. For example, if the Company has changed its method of calculating the entry to liberalized depreciation, it shall provide the old methodology, the new methodology, and the rationale for the change.

VI-E-3.6: ADFIT – Description of Timing Differences

This schedule shall include a description of the nature of each timing difference listed in Schedule VI-E-3.5. Also, the remaining life of each timing difference as of test year end shall be disclosed if available.

VI-E-3.7: Adjustments to ADFIT

This schedule shall provide supporting explanations and detailed calculations for each adjustment to the test year end balances in Schedule VI-E-3.5. Each resulting adjustment shall be referenced back to Schedule VI-E-3.5.

VI-E-3.8: ADFIT and ITC – Plant Adjustments & Allocations

This schedule shall provide the accumulated deferred tax balances (by timing difference) and the accumulated ITC balances (by subaccount) at test year end related to additions to new transmission and distribution plant in service by function since the Company's last filing and any plant adjustments to the test year end requested by the Company. Supporting calculations and explanations shall be filed in workpapers to the RFP and shall be referenced to this schedule.

VI-E-3.9: Analysis of ITCs

This schedule shall present an analysis of the investment tax credits adjustment.

VI-E-3.10: Utilized

This schedule shall provide an analysis of investment tax credits utilized for tax return purposes. The amounts should be shown by vintage year, if available, as adjusted for any recapture or IRS audit adjustment. If the total amount of investment tax credits utilized (net of any recaptures or audit adjustments imposed) differs from the gross amortizable base appearing on Schedule VI-E-3.9, a reconciliation supporting such difference shall also be provided as an attachment to this schedule.

VI-E-3.11: Generated But Not Utilized

This schedule shall be presented in the same format as Schedule VI-E-3.10 and shall detail investment tax credits generated but not utilized along with any explanation of why such credits have not been utilized.

VI-E-3.12: Utilized – Stand Alone Basis

This schedule shall be filed by those utilities filing a consolidated tax return. This schedule shall provide an analysis of investment tax credits utilized for tax return purposes as though the Company had filed its tax returns on a stand-alone basis for electric operations only. To the extent records permit, the amounts should be shown as qualified progress expenditures (QPEs) and "other" by vintage year, as adjusted for any recapture or IRS audit adjustment. If the total amount of investment tax credits utilized (net of any recaptures or audit adjustments imposed) differs from the gross amortizable base appearing on Schedule VI-E-3.9, a reconciliation supporting such difference shall also be provided as an attachment to this schedule.

VI-E-3.13: ITC Election

This schedule shall detail any and all elections made by the Company with regard to investment tax credits.

VI-E-3.14: NARUC Account 255

This schedule shall provide the NARUC account 255 balance (together with all subaccounts) at test year end.

VI-E-3.15: Analysis of Additional Depreciation Requested

This schedule shall provide a detailed calculation of the requested adjustment to return for additional depreciation.

VI-E-3.16: Amortization of Protected and Unprotected Excess Deferred Taxes

This schedule shall summarize the Company's requested amortization of unprotected and protected excess deferred taxes. Included in this schedule will be an explanation of the methodologies used.

VI-E-3.17: Analysis of Excess Deferred Taxes by Timing Difference

This schedule shall provide the excess in Schedule VI-E-3.18 by timing difference. This schedule shall also provide the unamortized balance of excess deferred taxes at test year end by timing difference. The detailed calculation of the requested amortization for each timing difference shall be filed in workpapers to the RFP and shall be referenced to this schedule.

VI-E-3.18: Effects of Post Test Year Adjustment

If applicable, this schedule shall list and explain all effects on FIT and ADFIT of the Company's requested post-test-year adjustment to plant. Detailed supporting calculations shall be filed in workpapers to the RFP and referenced to the listed effects.

VI-E-3.19: List of FIT Testimony

This schedule shall provide a listing by witness and page number of all testimony filed supporting FIT and ADFIT. The Company shall include in its workpapers to the RFP the most recent tax return filed.

VI-E-3.20: History of Tax Normalization

This schedule shall describe the Company's history of tax normalization. The history shall show which book and tax timing differences are normalized, when the differences first arose, when first normalized, and the method of normalization. This schedule shall also give details of all timing differences previously flowed through.

VI-E-3.21: Tax Elections, IRS Audit Status and Private Letter Rulings

This schedule shall provide the following:

1. A listing of all tax elections made since the previous test year filed.
2. The Company's IRS audit status.

3. A list of private letter rulings received from the IRS which affect the federal income taxes of the Company or its parent, if any, since the Company's last rate filing. The Company shall include a copy of the rulings and requests in the workpapers to the RFP. This schedule shall also provide the status of any pending requests from the Company or its parent.
4. Any FIN 48 tracker information shall also be provided in this schedule.

VI-E-3.22: Method of Accounting for ADFIT Related to NOL Carryforward

This schedule shall provide a complete description of the Company's method of accounting for ADFIT related to net operating loss (NOL) carryforwards. The description shall include generic journal entries. This schedule shall also provide an explanation and calculations to support any ADFIT (debit) on the books at test year end related to NOL carryforwards.

VI-E-4: Other Expenses

This schedule shall show all items not classified elsewhere, functionalized on the same basis as the underlying expense and consistent with General Instructions. All items shall be identified on an item by item basis and supporting workpapers shall be provided. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any allocation or functionalization factors shall be referenced to the appropriate factors used for functionalization or allocation.

VI-E-4.1: Deferred Expenses from Prior Dockets

This schedule shall include information concerning all amortization expense by rate region either included in test year or requested in this application. This schedule shall include, but is not limited to, amortization related to items such as accounting order deferrals, phase-in deferrals, recovery of cost of abandoned plants, deferred litigation expenses, deferred rate case expenses, and capital leases. This schedule shall not include amortization of debt expense, discount or premium. The following information shall be shown separately for each item within a category, with subtotals for each category (i.e., list each abandoned plant separately; list rate case expenses separately for each originating docket; list accounting order deferrals separately by unit, etc.):

1. Authorizing docket (if none, so state).
2. Original amount to be amortized.
3. Deferred period of 2. above.
4. Amortization period.
5. Date amortization began.
6. Total amortization taken by the beginning of the year.
7. Amortization expense include in test year.
8. Amortization expense included in requested cost of service.
9. Unamortized amount as of the end of the test year.

Note A: For any items listed that do not have an authorizing docket, provide the following information in addition to items 1 through 9 above: (1) a detailed schedule of the costs to be amortized, including month incurred, payee, description, and amount; (2) a detailed explanation of the rationale for deferring such costs rather than expensing

when incurred (including specific references to applicable regulatory and accounting principles); (3) a statement of whether GAAP allows such costs to be deferred rather than expensed when incurred in the absence of regulatory Commission order allowing deferral for rate-making purposes; (4) if the utility has concluded that GAAP allows such costs to be deferred in the absence of a regulatory Commission order, a statement of whether the utility's independent accountants agree with the utility's interpretation of GAAP.

Note B: If the costs related to any item listed on this schedule are included in Plant in Service, so state and indicate the NARUC account to which the costs were booked.

Note C: All amortization booked during test year or requested in this application shall be shown on this schedule. Amortization amounts shown on this schedule must be excluded from depreciation expenses reported on Schedule D.

VI-E-4.2: Below the Line Expenses

This schedule shall present a complete detailed analysis of all expenses charged "below the line" by function during the test year. Verification of the elimination of such amounts from the filing shall be provided in the workpapers.

VI-E-4.3: Nonrecurring or Extraordinary Expenses

This schedule shall present a complete detailed analysis of all nonrecurring or extraordinary expenses by function occurring during the test year and not removed from cost of service pursuant to the General Instructions.

VI-E-4.4: Regulatory Commission Expenses

This schedule shall detail the various expenses charged to NARUC Account 667 during the test year by function, the Company adjustments to the test year amounts, and the Company request for each item. This information shall be provided in the following format:

<u>Description</u>	<u>Docket No.</u>	<u>Test Year Amount by Region</u>	<u>Company Adjustment by Region</u>	<u>Company Request by Region</u>
CCN Sale, Transfer, Merger Rate Application		\$	\$	\$
.				
.				
.				
Total		\$ _____	\$ _____	\$ _____

Each of the Certificate of Convenience and Necessity; Sale, Transfer, Merger; and rate applications, etc. shall be detailed separately. The amortization expense of prior rate applications charged to this NARUC account shall also be detailed separately.

VI-E-4.5: Rate Case Expenses

For purposes of this schedule, rate case expenses are any expenses which have been, or will be incurred pursuant to this rate application. Information concerning all requested rate case expenses shall be provided by function in the following format:

	<u>Total by Rate Region</u>
Consultant Expenses:	\$
Accounting	
Engineering	
Legal	
Other	
Sub-Total Consultant Exps.	\$ _____
Company Expenses:	
Employee	
Other	\$ _____
Sub-Total Company Exps.	\$ _____
Intervenor Expenses	\$ _____
Total Request	\$ _____

The utility shall record rate case expenses in such a manner as to provide information on actual rate case expenses in the above format.

VI-E-4.6: Expenses Previously Denied by the Commission

This schedule shall identify requests for expenses that have previously been denied by the Commission. The amount of each expense requested shall be presented along with the itemization of related case processing expenses.

VI-E-5: Other Revenue Items (credit)

This schedule shall show all other revenue credits, regionalized on the same basis as the underlying expense and consistent with the General Instructions. Supporting documentation shall be provided.

1. Provide a copy of the Corporate Federal Tax Returns on which the utility's operations are reported, and supporting schedules for the preceding 3 years and, if applicable.
2. Provide a schedule of Federal and Texas taxes, other than Income Taxes, calculated on the basis of test year per book, at present rates, and at proposed rates, to include the following categories:

- a. Social Security.
- b. Unemployment.
- c. Capital Stock.
- d. Property.
- e. Regulatory assessment.
- f. Other property.
- g. Any other appropriate categories.

VII. RATE BASE

1. SCHEDULE B: RATE BASE

VII-B: Rate Base by Region and/or Water and Wastewater Function

The schedule shall summarize the utility's overall requested rate base as of the end of the Test Year, separated into the regions and water and wastewater functions and customer classes, if applicable to the utility. Presentation shall be such that test year amounts and adjustments thereto can be separately determined. All items included shall be referenced to the detailed schedules and/or the appropriate workpapers, computations, and analyses.

VII-B-1: Original Cost of Utility Plant

This schedule shall summarize the amounts of utility plant by NARUC accounts 101-102 and 301-348 as of the end of the Test Year, by region pursuant to the General Instructions. This schedule shall tie to the book balances at the end of the Test Year. Supporting workpapers that fully and clearly explain the regional allocations and water and wastewater allocations of each account or subaccount shall be included in the workpaper section.

VII-B-2: Construction Work in Progress

This schedule shall show the amount of Construction Work in Progress (CWIP) requested in cost of service, by region and functionalized to water and wastewater pursuant to the General Instructions. Supporting workpapers that fully and clearly explain the allocations of each account or subaccount shall be included in the workpaper section.

VII-B-3: Accumulated Depreciation

This schedule shall include the accumulated provisions for depreciation detailed by primary account classification as of the end of the Test Year, by region and water and wastewater function pursuant to the General Instructions, and the corresponding surplus or deficiency between the book and theoretical depreciation reserve as derived in the most recent depreciation study. A description of the methods and procedures followed in booking depreciation shall be included in this schedule.

VII-B-4: Plant Held for Future

This schedule shall show the amount of Plant Held for Future Use (PHFU) requested in cost of service, by region and water or wastewater function. Supporting workpapers that fully and clearly explain allocations.

VII-B-5: Accumulated Provision Balances

This schedule shall show the ending balance (Test Year) of each accumulated provision account (i.e., injuries and damages, property insurance, etc.), by region and water or wastewater function.

VII-B-6: Materials and Supplies

1. This schedule shall show the monthly book balances of Materials and Supplies (M&S) for each month of the Test Year and the month immediately preceding the Test Year, by region and water and wastewater function. This schedule shall also show the 13-month average balance of M&S by function. Additionally, functionalized monthly balances for each month subsequent to the end of the Test Year shall be shown. An update to this schedule is required 45 days after the initial filing date. Supporting workpapers that fully and clearly explain the major categories of materials and supplies shall be provided.

2. If a claim is made for construction work in progress, include, in the form of an exhibit, the summary page from all work orders, amount expended at the end of the historic and adjusted test year and anticipated in-service dates. Indicate if any of the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion dates and estimated total amounts to be spent on each project. This exhibit should be updated at the conclusion of these proceedings.

3. If a claim is made for plant held for future use, supply the following:

- a. A brief description of the plant or land site and its original cost.
- b. Expected date of use for each item claimed.
- c. Explanation as to why it is necessary to acquire each item in advance of its date of use.
- d. Date when each item was acquired.
- e. Date when each item was placed in the plant held for future use account.

4. Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not previously mentioned, in the measures of value.

5. Provide schedules and data in support of the following working capital items (45 day update required):

- a. Prepayments—list and identify all items.
- b. Federal Income Tax accrued or prepaid.
- c. Texas Margins Tax accrued or prepaid.
- d. Texas Property Tax accrued or prepaid.
- e. Payroll taxes accrued or prepaid.
- f. Other taxes as appropriate.

- g. Any adjustments related to the above items for ratemaking purposes.
6. Supply an exhibit supporting the claim for cash working capital requirement based on the lead-lag method. Provide a schedule that shows the total amount of Cash Working Capital included in each component of the rate base as of the end of the Test Year, allocated on the same basis as the underlying expense. The amount to be included will be in accordance with P.U.C. Subst. R. 24.31(c). This schedule shall show the calculated lead days, lag days, and net lag days by expense category. Supporting workpapers that fully and clearly explain the allocation of each account or subaccount shall be included in the workpaper section, and any allocation or functionalization factors shall be referenced. A detailed explanation shall be provided for the existence of a large positive Cash Working Capital balance (greater than one percent of the requested revenue requirement). If less than five years have passed since the time period examined in the utility's most recently approved lead-lag study, then the utility may use the previously Commission approved lead-lag study in the current development provided no significant or material changes have occurred since the development of the lead-lag study. The lead-lag study shall be representative of the test year leads and lags. If a new lead-lag study is provided, it may end the quarter prior to the test year end or the most recent calendar quarter. Provide a schedule of normalized and annualized expenses and revenues are to be used in lieu of book data for computing lead-lag days.
7. Indicate if amortized expenses have been removed from the lead-lag study. If so, please provide documentation showing such removal. If not, provide a list of such amortization expenses included.
8. Identify the funds availability arrangements or terms which the utility has with its banks with respect to deposits of customer checks. For example, does the utility have same day or next day access to funds deposited?
9. In reference to materials and supplies:
- a. What method of inventory valuation was used to develop the claim for materials and supplies?
 - b. Does the utility use a material and supply model to calculate needed material and supply levels? If so, provide the model. Supply an illustrative example of how the monthly balances are derived.
 - c. Provide the actual monthly value for the inventory of materials and supplies for the past 12 months. Supply as of the end of the historic test year, a 13-month average, by month, for the material and supply account (45 day update required). Provide the monthly level of materials and supplies for 3 years prior to the conclusion of the historic test year.
10. For each non-blanket or projected plant addition to cost the greater of \$20,000 or 0.5% of current rate base, included in the adjusted test year, please provide:

- a. Description of the project.
- b. Original budgeted cost broken down by allowance for funds used during construction (AFUDC) and non-AFUDC components.
- c. Current budgeted cost broken down by AFUDC and non-AFUDC components.
- d. Reason for change in budgeted cost.
- e. Original estimated date of completion and in service.
- f. Current estimated date of completion and in service.
- g. Reason for change in completion date.
- h. Anticipated retirement related to the plant addition.
- i. Starting date of project.
- j. Amount expended to date.
- k. Percent of project currently complete.
- l. The depreciation rate applicable.
- m. Identify which projects are due to a Texas Commission on Environmental Quality (or predecessor agency) or Federal Environmental Protection Agency (EPA) requirement.

11. Explain how the adjusted test year plant balances were calculated if they include any post test year projects and provide supporting workpapers and documentation.

12. Are all of the assets used in the plant-in-service claim used exclusively by the water and/or wastewater utility? If not, provide the estimated percentage that each shared asset is used by other entities.

13. Is all plant included in rate base currently being used in providing water or wastewater service? If not, provide a schedule which presents those plant items which are not, and indicate the corresponding amounts and account numbers. Further, provide a detailed narrative explaining the reason why such plant is not being used and the anticipated future disposition of the plant.

14. Provide all workpapers and supporting documentation showing the derivation of the estimated balances of contributions in aid of construction, customer advances for construction and utility service line and customer deposits for the adjusted test year.

15. Provide a schedule of all salaries, wages, and contract labor capitalized vs. expensed for the test year and two years prior by NARUC Account. The schedule shall show total expense incurred and percent capitalized (45 day update required).

VIII. DEPRECIATION

If any of the following questions under this section have been previously answered, please note in your response. It is not necessary to provide responses to questions previously answered.

1. Provide a description of the depreciation methods used to calculate annual depreciation amounts and depreciation reserves, together with a discussion of the factors which were

considered in arriving at estimates of service life and dispersion by account. Supply a comprehensive statement of any changes made in method of depreciation. Provide dates of all field inspections and facilities visited by the TCEQ.

2. Set forth, in exhibit form, charts depicting the original and estimated survivor curves and a tabular presentation of the original life table plotted on the chart for each account where the retirement rate method of analysis is utilized.
3. Provide the surviving original cost at historic test year-end by vintage by account and include applicable depreciation reserves and accruals. These calculations should be provided for plant in service as well as other categories of plant, including contributions in aid of construction and customers' advances for construction.
4. Provide a comparison of the calculated depreciation reserve used for ratemaking purposes verses the book reserve by account at the end of the test year, if they differ.
5. Supply a schedule by account and depreciable group showing the survivor curve and annual accrual rate estimated to be appropriate:
 - a. For the purposes of this filing.
 - b. For the purposes of the most recent rate increase filing prior to the current proceedings.
6. Provide an exhibit showing gross salvage, cost of removal, and net salvage for the 5 most recent calendar or fiscal years by account.

IX. RATE OF RETURN

Provide a schedule showing the utility's requested overall rate of return as a weighted average of each class of capital based upon the utility's capitalization at the end of the test year along with any pro-forma adjustments. The cost of the utility's debt capital, preferred stock capital, requested return on stockholders' equity (ROE), and the component amounts of each class of capital shall be presented. In addition, this schedule shall present the overall rate of return proposed by the utility on the requested rate base and the resulting total return (capital cost) expressed in dollars. The costs and balances of preferred stock and long-term debt (and short-term debt if included in the utility's capital structure) should correspond with those provided in response to schedules described in items 2 through 5 below.

A utility may use either of the two methods described below as the basis for the ROE that it requests in its rate application:

- The first method is to start with the rate of the most recent Moody's Baa bond rating for public utilities (this information is posted on the PUC website) and add a risk premium of 6 percent. If the Moody's rate is greater than 6%, the maximum ROE that a Class A

utility may request without written testimony is 12%. This method and the resulting ROE will be presumed reasonable if no other party provides opposing testimony. However, if parties to the case do not reach a settlement agreement, there is no presumed reasonable rate of return.

- The second method that a utility may use as the basis for its ROE request is the submission of written testimony and other credible evidence that develops and supports the reasonableness and necessity of the requested ROE.

2. Provide schedules detailing the weighted average cost of preferred stock capital based upon the following data for each class and series of preferred stock outstanding according to the balance sheet as of the end of the test year, for the applicant and for any parent or affiliate from which corporate debt or equity is allocated. For each issue, please include:

- a. Description.
- b. Date of Issuance.
- c. Redemption Status (indicate whether or not mandatory redemptions are required).
- d. Annual Dividend Rate (in percent).
- e. Par Value at Issuance.
- f. Premium or (Discount) at Issuance.
- g. Underwriting Fees and Issuance Expenses.
- h. Gain or (Loss) on Redeemed Stock at Issuance.
- i. Original Net Proceeds [(e) + (f) - (g) + (h)].
- j. Net Proceeds as a Percent of Par Value [(i) / (e)].
- k. Par Value Currently Outstanding.
- l. Current Net Proceeds [(k) x (j)].
- m. Issue as a Percent of Total Net Proceeds. (Each issue should be weighted by the current net proceeds to derive the weighted cost of preferred stock.)
- n. Cost of Money [(d) / (j)]. (This will equal the stated dividend rate only if there were no issuance expenses or underwriting costs, discounts or premiums, or gains or losses on redeemed stock. For fixed-rate issues with mandatory redemption, it may be calculated using the yield-to-maturity method.)
- o. Weighted Cost of Preferred Stock by issue is calculated by [(m) x (n)]. (The Weighted Average Cost of Preferred Stock as a class of capital is calculated by summing the (o) data for each issue.)

3. Provide the weighted average cost of long-term debt capital based on the following data for each class and series of long-term debt outstanding according to the balance sheet as of the

end of the monitoring period. For capital lease obligations, the cost and balance of debt should be determined in accordance with generally accepted accounting principles. For each debt issue, please include:

- a. Description
- b. Date of Issuance
- c. Maturity Date
- d. Interest Rate (Effective interest rate should be used for issues supported by letters of credit.)
- e. Principal Amount at Issuance
- f. Premium or (Discount) at Issuance
- g. Underwriting Fees and Issuance Expenses
- h. Gain or (Loss) on Reacquired Debt at Issuance
- i. Original Net Proceeds $[(e) + (f) - (g) + (h)]$
- j. Net Proceeds as a Percent of Par Value $[(i) / (e)]$
- k. Principal Currently Outstanding (including current maturities)
- l. Current Net Proceeds $[(k) \times (j)]$
- m. Issue as a Percent of Total Net Proceeds. Each issue should be weighted by current net proceeds to derive the weighted cost of debt.
- n. Cost of Debt (this will equal the stated interest rate only if there were no issuance expenses or underwriting costs, discounts or premiums, or gains or losses on reacquired debt):

For variable rate issues, the cost of debt shall reflect the interest rate divided by net proceeds as a percent of par value $[(d) / (j)]$.

For fixed-rate issues, the cost of debt should reflect the yield-to-maturity based on the interest rate, net proceeds, issuance date and maturity schedule, determined by reference to any generally accepted table of bond yields, or a calculator with appropriate capability.

- o. Weighted Cost of Long-Term Debt is calculated by $[(m) \times (n)]$. The Weighted Average Cost of Long-Term Debt as a class of capital is calculated by summing the (o) data for each issue.

4. Show the cost of long-term debt in accordance with the previous instructions. If the applicant has a parent or affiliate from which corporate debt or equity is allocated, provide a schedule that clearly presents corporate debt issuances and debt costs for the affiliate and the applicant. All methodologies, assumptions, and calculations used to allocate the debt to the Texas utility should be transparently disclosed.

5. Provide the historical balance(s) of short-term debt and a calculation of the weighted average cost of short-term debt as of the end of the test year. The balance and weighted average cost of short-term debt may be carried forward to the schedule described in item 1 of this section (Section IX, Rate of Return) for purposes of calculating the weighted average cost of capital, if the utility believes it is appropriate. This schedule should not include current maturities of long-term debt.

6. Provide a schedule showing the description and calculation of the financial tests pertaining to the issuance of securities or the maintenance of banking lines of credit. For each class of securities (first mortgage bonds, unsecured debentures, commercial paper, preferred stock, etc.) or line of credit, provide a description of these financial tests (interest coverage, fixed charge coverage, maintenance of shareholders' equity, etc.) and copies of the relevant language contained in the official guiding documents (prospectuses, mortgage agreements, articles of incorporation, credit agreements, etc.). For each financial test, provide a calculation of the relevant financial ratio as of the end of the test year and the most recent fiscal year, including all supporting data. In addition, projections of each financial test shall be provided for three fiscal years assuming full requested rate relief is granted and, separately, assuming no rate relief is granted.

7. Provide a schedule showing estimates of the requirements for and sources of future capital for three fiscal years following the test year. Provide detailed explanations of all assumptions and estimates used. Actual requirements and sources of capital for the most recent fiscal year shall also be provided.

8. Provide a schedule with the following ratios for the test year and the four preceding fiscal years calculated on a total company basis. The data used to calculate these ratios should be taken from the Company's audited financial statements, if available for the periods requested.

a. Total Debt as a Percent of Total Capital

Numerator: Notes Payable
+ Long-Term Debt (Incl. Current Maturities & Capital Lease
Obligation)

Denominator: Notes Payable
+ Long-Term Debt (Incl. Current Maturities & Capital
Lease Obligation)
+ Preferred Stock
+ Common Equity

b. Total CWIP as a Percent of Net Plant

Numerator: Total Construction Work In Progress

Denominator: Total Utility Plant

- Accumulated Depreciation and Amortization

c. Construction Expenditures as a Percent of Average Total Capital

Numerator: Cash Construction Expenditures

Denominator: Average of Beginning and Ending Balance of
Total Capital (See Definition of Total Capital Provided for
Ratio No.1.)

d. Pre-Tax Interest Coverage

Numerator: Income from Continuing Operations
+/- Nonrecurring Items (Before Tax)
+ Minority Interest
- Equity AFUDC
+ Income Taxes
+ Interest Incurred (See Note 1 below)

Denominator: Interest Incurred

e. Funds From Operations / Total Debt

Numerator: Cash Flow from Operations (Before Working
Capital Changes) [See Note 4]
- Cash Decommissioning

Denominator: Notes Payable
+ Long-Term Debt (Incl. Current Maturities & Capital Lease
Obligation)

f. Fixed Charge Coverage

Numerator: Same as (d)
+ 1/3 of Rental Expenses

Denominator: Interest Incurred
+ 1/3 of Rental Expenses

g. Fixed Charge Coverage Ratio

Numerator: Same as (d)
+ 1/3 of Rental Expenses

Denominator: Interest Incurred
+ 1/3 of Rental Expenses

h. Funds From Operations Interest Coverage

Numerator: Same as (e)
+ Cash Interest Paid

Denominator: Interest Incurred

i. Net Cash Flow/Capital Outlays

Numerator: Same as (e)
- Preferred Dividends
- Common Dividends

Denominator: Cash Construction Expenditures

j. Cash Coverage of Common Dividends

Numerator: Same as (e)
- Preferred Dividends

Denominator: Common Dividends

k. Return on Average Common Equity

Numerator: Net Income After Preferred Dividends

Denominator: Average of Beginning and Ending Common Equity

NOTES

(1) "Interest Incurred" includes all Interest Charges, and excludes any recognition of Deferred Borrowing Costs or Capitalized Interest.

(2) "Deferred Carrying Costs" include any borrowing costs or equity return deferred under an accounting order or qualified phase-in plan.

(3) "Deferred Expenses" include any expenses deferred under an accounting order or qualified phase-in plan.

(4) "Cash Flow from Operations" should reflect the amount reported in the Statement of Cash Flows, less Capitalized Interest (if not already subtracted from Net Income in the Statement of Cash Flows).

(5) "Cash Construction Expenditures" should not include any Capitalized Interest. This schedule shall provide historical financial ratios for the test year and the five fiscal years

preceding the test year in the same format as the attached example, using the formulas and definitions detailed in the example. Utilities that have subsidiaries, rate regions, or other operating segments should provide ratios on a stand-alone-by-subsi-dary, region (or-segment), and consolidated basis. Supporting calculations for each ratio shall be provided. Additionally, the same ratios shall be projected for the three fiscal years following the test year assuming the full requested rate relief is granted. The projected ratios shall be consistent with and incorporate the capital requirements and acquisition plan from the schedule described in item 1 of this section (Section IX, Rate of Return). The same ratios shall also be provided for the rate year (12 month period following implementation of requested rates) assuming full requested rate relief is granted and, separately, assuming no rate relief is granted. Pro-forma financial statements in sufficient detail to calculate the projected ratios shall be provided along with an explanation of all assumptions used to derive the pro-forma statements.

9. Provide a schedule showing the calculations of the utility's earnings per share (EPS), dividends per share (DPS), and book value per share (BVPS) over the last five fiscal years. Include the details of the historical financial information used as inputs for these calculations. The weighted average number of shares shall be adjusted for stock splits. In addition, average values for ROE and earnings retention shall be provided. The amount of any non-recurring gains or losses shall be provided. A calculation of the year-end market-to-book ratio shall also be provided for each year. If the utility is a wholly owned subsidiary, the information shall be provided for the parent company, and additionally, ROE, earnings retention, and the amount of any non-recurring gains and losses shall be provided for the utility subsidiary.
10. Provide a copy of all credit rating analyses or investment reports on the utility and its parent company published during the most recent 12-month period and in the possession of the utility. This shall include, but is not limited to, reports by Moody's, Standard & Poor's, and Fitch, Inc.
11. Provide the latest prospectus for the utility and the parent.

X. RATE STRUCTURE AND COST OF SERVICE

1. Provide a complete, fully allocated, functionalized cost of service study for water and wastewater service (if any) by customer class (if applicable). The cost of service study shall provide the necessary data to determine if the water and/or wastewater rate structure is fair and equitable to all classifications of water and wastewater (if any) customers (wholesale customers, and any other customer class served) and reflects, as nearly as possible, the cost of providing the service to each class by function. The study shall correspond to the test year proposed revenue requirements. Summaries of conclusions and all back-up calculations shall be made part of the submission of the cost of service study, and shall include the following:
 - a. A description of the allocation methods used (jurisdictional, regional, functional and class); a comparison of the cost of service by class with the present and

proposed revenues; and a class cost of service schedule showing the rate of return produced by present and proposed rates by class of service.

- b. Indicate if the method used for establishing the allocation factors in the cost of service study deviates from the previous study submitted in the last rate case. If yes, indicate which allocation factors were changed and discuss the reason for the changes.
 - c. Explain thoroughly the methodology employed if the utility distinguishes between functions in its allocation of costs.
 - d. Provide workpapers, calculations and supporting documentation which develop the equivalent meters and equivalent service line weights reflected in the utility's cost of service study.
 - f. Provide a calculation of the utility's cost of water and/or wastewater per unit of consumption or usage that will be covered by the gallonage rate included in the utility's general rate (excluding pass throughs and surcharges).
 - i. Provide a detailed cost analysis that supports the utility's fixed rate customer charges included in the utility's general rate, by meter size, showing all direct and indirect costs included.
2. Provide a listing of negotiated special rate contracts which includes a comparison of revenues under special rate contracts and under tariff rates. Provide the cost of service treatment of any deficiency or surplus in revenues resulting from the negotiated special rate contracts. Please provide the explanation and reasoning behind the treatment. Special rates are defined as rates not contained in the currently effective tariff.

XI. QUALITY OF SERVICE

1. Indicate whether the utility is in violation of any provision of the Texas Commission on Environmental Quality's rules, regulations or orders, or any condition of any permit.
 - a. Provide information indicating whether the utility is in compliance with TCEQ public water system minimum requirements. If the utility also provides wastewater service, provide information indicating whether the utility is in compliance with TCEQ wastewater quality discharge permit requirements. Include all of the latest public water and wastewater system inspection reports for the systems included in this application.
 - (i) Provide a detailed explanation of all actions taken to remedy an acute violation, and to comply with the requirements prescribed by a variance or exemption.

- (ii) State whether any fines or penalties were assessed by the Environmental Protection Agency or TCEQ, and indicate the amounts paid by the utility, if any.
- b. Provide the most recent copies of all annual consumer confidence reports issued as required by TCEQ since the last rate proceeding which reflect violations of State and Federal safe drinking water requirements. Explain how these violations were resolved.
- c. Provide details on any water pressure problems, lasting longer than 5 days, which had occurred since the last rate proceeding in any part of the water transmission and distribution system. Describe any action taken on a temporary basis, and the long term solutions developed to address any water pressure problems.
- d. If the utility provides wastewater service, provide information regarding any violations or issues with discharge violations and describe any actions taken to remedy the discharge and/or prevent further spillage or discharges from occurring.
2. Provide a discussion of the utility's policy, or provide a copy of the policy if in written form, on tracking and responding to customer complaints for water and/or wastewater service.
3. Provide a summary report demonstrating the utility's compliance with PUC Subst. R. 24.81(4) with regard to customer complaints and the final settlement of customer complaints for the past two years for water and/or wastewater service.
4. Provide a summary report demonstrating the utility's efforts in water conservation, since the last rate proceeding.
5. Provide a discussion of the utility's policy regarding meter requirements, replacements and testing.

XII. BALANCE SHEET

1. Provide a comparative balance sheet as of the end of the test year and the preceding year-end.
2. Provide a detail of other physical property, investments in affiliated companies and other investments.
3. Provide the amounts and purpose of special cash accounts as of the end of the test year.
4. Describe the nature and amounts of notes receivable, accounts receivable from associated companies, and any other receivables, other than customers' accounts, greater than 15% of the total. Limit the explanation to variances greater than \$10,000.

5. Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued and amounts written-off in each of the last three years.
6. Provide a list of prepayments and give an explanation of special prepayments.
7. Break down and explain in detail any significant items, greater than 15% of the total, in the current assets account listed on the balance sheet. Limit the explanation to variances greater than \$10,000.
8. Explain in detail, including the amount and purpose, the deferred asset accounts that currently operate to affect or will at a later date affect the operating account supplying:
 - a. Origin of these accounts.
 - b. Probable changes to this account in the near future.
 - c. Amortization of these accounts currently charged to operations or to be charged in the near future.
9. Explain the nature of accounts payable to associated companies. Provide a breakdown by category.
10. Provide breakdown and explanation of other deferred credits as to their origin and disposition policy, for example, amortization.
11. Provide an explanation and method of funding of any reserves, other than depreciation and bad debt appearing on historic balance sheet.
12. Provide an analysis of unappropriated retained earnings for the historic test year and two preceding years.
13. Describe the purpose of any advances made by the utility to its parent corporation and describe all terms and conditions associated with such advances, including an estimate of future advances or repayments that are expected to occur.

XIII. OTHER DATA

1. Supply a copy of internal and independent audit reports of the historic test year and prior calendar year, noting any exceptions and recommendations and disposition thereof for Texas operations and parent utility.
2. Provide all monthly or quarterly, or both, budget variance reports to management, or the board of directors, or both, submitted during the past year. Please provide the most recent detailed budget variance report which the utility compiled, and update as additional reports are issued.
3. Provide a copy of the utility's most recent operating and capital budgets.

4. Provide a schedule that shows the percentage of unaccounted for water for the test year and two prior years, including total gallons pumped and/or purchased. Describe how this amount was determined and explain any steps taken to reduce unaccounted for water. Provide a similar analysis of infiltration for wastewater utilities. If the utility reduces unaccounted for water by flushing, stolen water, or other amounts, provide a specific explanation of how these numbers are accounted for and calculated. Estimated amounts will not be allowed unless substantiated by documentation, meter readings, or other reliable evidence.

5. Provide a corporate history (include the dates of original incorporation, subsequent mergers, or acquisitions, or both). Indicate all counties and cities and other governmental subdivisions to which service is provided, including service areas outside the state, and the total population in the area served.

6. For each lease expense during the test year, describe costs relative to leasing equipment, computer rentals, and office space, including terms and conditions of the lease for the purpose of providing utility services. Explain the method of calculating monthly or annual payments. If allocated from the parent utility, provide the method of allocation, total amount incurred, amount allocated to the utility and each other affiliate shown separately.

XIV NOTICE OF INTENT TO CHANGE RATES

In order to change rates which are subject to the Commission's jurisdiction, the applicant utility shall file with the Commission a completed application package and shall give notice of the proposed rate change by mail, e-mail or hand delivery to all affected utility customers at least 35 days prior to the proposed effective date. Notice shall meet the following requirements:

- 1) The notice should contain a docket number for the rate filing package. Before providing notice of the intent to change rates and before filing the rate change application, the applicant utility shall request a docket number from the Commission. The docket number may be requested up to 14 days in advance of filing the rate filing package or earlier.
- 2) Once the Commission has issued the applicant utility a docket number, the docket number should be used when completing the notice form.
- 3) The applicant utility shall use the form provided with the application when providing notice of the application.
- 4) The effective date of the new rates must be the first day of a billing period, which should correspond to the day of the month when meters are typically read, and the new rates may not apply to service received before the effective date of the new rate.
- 5) For a proposed water rate increase, the notice shall include a billing comparison showing the existing rate and the new computed water rate using 5,000 gallons, 10,000 gallons and 30,000 gallons of water.