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**APPLICATION OF RIO CONCHO
AVIATION, INC FOR A
RATE/TARIFF CHANGE**

**BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS**

**INITIAL BRIEF
OF
STEVE GRACE & JEFF SHEETS**

**ON BEHALF OF RATEPAYERS OF
RIO CONCHO AVIATION, INC**

JANUARY 10, 2017

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Introduction and Summary

On March 11, 2016, Rio Concho Aviation, Inc filed a letter of intent with PUC Central Records for a Class C water rate increase. Rio Concho Aviation, Inc., a Class C water utility, corrected itself and filed for a Class B rate increase on March 22, 2016. PUC Staff recommended that the effective date of the rate increase be suspended for multiple concerns. Rio Concho filed for a previous rate increase on Oct 30, 2014 and again on Nov 6, 2015. The 2015 rate increase was withdrawn as it was prior to the Final Order being issued for the 2014 rate case.

Rio Concho is a privately owned, (by Mr & Ms Brunson, husband and wife), water company serving approximately 240 water customers. It has one employee who is also the owner wife. All other employees are contract employees, to include the owner's children.

Rio Concho's water rates in 2014 were \$28.54 base rate which included the first 1,000 gallons of water, \$4.75/1000 gallons starting at gallon 1001 to gallon 2,000, and \$5.50/1000 gallons starting at gallon 2001 and up. For 2015, water rates increased to \$31.00 base rate and \$5.50/1000 gallons starting at gallon one after the PUC Staff adjusted agreed-upon rates downward.

Rio Concho, in its final revision to their current rate application, requests \$39.75 base rate and \$7.05/1000 gallons of water consumed. This is a 28% increase over 2015 base rates and gallonage usage. However, when compared to 2014 rates, a different picture emerges.

Water Bill	4/2014 Bill	Proposed 5/2016 Bill	% Increase
1000 Gallons	\$28.54	\$46.80	63.98%
2000	\$33.29	\$53.85	61.76%
3000	\$38.79	\$60.90	57.00%
4000	\$44.29	\$67.95	53.42%
5000	\$49.79	\$75.00	50.63%

It is the percentage and dollar increase that the Ratepayers protest. In the course of discovery of this rate case, the Ratepayers noted that Rio Concho's recently added costs were overwhelming their

1 revenue. In several instances, new costs were generated by Rio Concho in their test year which affected
2 their bottom line. It is these cost increases that the Ratepayers and the PUC Staff find troubling, and a
3 topic upon which we must focus in our initial brief.

4 Rio Concho amended their original 2016 application twice by lowering their initial gallonage rate
5 request. However, all 3 versions of their application contained errors, didn't follow the PUC's application
6 instructions, violated IRS regulations concerning expenses, violated accounting principles, and most
7 importantly, violated PUC Statutes concerning depreciation schedules and their local office. In short,
8 their application was sloppy and unprofessional, despite the claim by the two individuals that
9 accomplished this application that they were rate case experts. (Rio Concho Aviation's Response to
10 Commission Staff's 4th request for information 4-13 and 4-14 (PUC45720-105 p 10 of 11). This will be
11 expounded later in this document.

12 Lastly, the Ratepayers fully support the PUC Staff's testimony as documented in the Direct Testimony of
13 Andrew Novak, Elisabeth English, and Debi Loockerman (PUC 45720-86, -88, and -90) in this rate case.
14 In some instances, the Ratepayers believe the Staff overlooked certain items that should have been
15 given more emphasis. The Ratepayers will address those instances and re-emphasize important points
16 that were brought up in the Ratepayers Pre-filed Testimony of Stephen Grace, Jeff Sheets and Response
17 to Rio Concho Documents (PUC 45720-61, -62, and -64).

18 **Revenue Requirement**

19 **Operations and Maintenance Expenses**

20 PUC Form I-2 Historical Revenue Summary has specific instructions at the bottom of the table. (see
21 attachment 1) Specifically, it states: "Provide all calculations and explanations for any differences
22 between the applicant's annual report and this schedule." In addition, the instructions found in The
23 Texas Class B Investor-Owned Utilities Water and/or Sewer Instructions for Rate/Tariff Change
24 Application 2015" p 8 states:

25 "I-1: Revenue Requirement and Revenues

26 This schedule will complete the utility's summarization of revenue requirement after all schedules
27 except the rate design are completed.

- 28 1. Follow the instructions within the spreadsheet and complete the historical test year column

(D) first. Historical data should be consistent with the applicant's annual reports and financial statements. Provide explanations and calculations for any inconsistencies."

Rio Concho did not follow these directions. Attachment 1 is Rio Concho's first version of Form I-2 in their rate change request. Attachment 2 is Rio Concho's final version of this same form. The first version depicts Total Historic Test Year Revenues per income statement and Annual Report as requested on Line 6 of this form. The final version (attachment 2) shows a completely different set of numbers, with no calculation or explanation as to why they're different from their first version, and does not accurately reflect the actual Total Historic Test Year Revenues per the income statement and Annual Report. Rio Concho states they corrected their income due to a decrease in base rates in test year 2015. They billed at the higher base rates from January thru July. Rio Concho's solution was to alter the form to fit their desire rather than follow the directions on the form to provide calculations and an explanation. This could easily have been accomplished on the blank space below the table. Better yet, show the correction on Form I-1, Revenue Requirement Summary in Column E for "K&M Changes" per the instructions. Rio Concho did neither. The Ratepayers view this as an attempt to mislead the PUC judges and PUC Commission. See Attachments 3 (Original) and 4 (Final), line 29, Total Historic Revenue for a \$4555 reduction. Their final form I-1 is not consistent with their annual report nor their Financial Statements.

PUC Form II-3 Other Revenues & Expenses Passed Through was also altered when comparing their first application and their final application. (See attachments 5 and 6). The title of this form specifically states revenues and expenses passed through. Rio Concho complied in the original application (attachment 5) by noting \$674.96 on line 6 with a total on line 8 of \$3011.54 in column B. Rio Concho then reduced that \$3011.54 to \$370.08 in column D. On their final version (attachment 6), Rio Concho leaves line 6 blank and notes the Total Pass thru of \$1910.03 below the table. The reduced amount, \$2336.48, on line 8 column B is then transferred to column D with no reduction. The Ratepayers do not have a working knowledge of this form but we must ask, why was the original form reduced by over \$2600 from Column B to Column D, whereas the final version has zero reduction between Column B and Column D? Since these figures transfer to I-1 Revenue Requirement Summary line 35, it has importance. (See attachments 3 and 4).

Rio Concho's next misleading error on Form I-1, Revenue Requirement Summary, is line 5, Employee Labor. Ms Brunson is paid a weekly salary of \$769.78 per week x 52 weeks/year = \$40,028.56. She took an additional 2 paychecks in 2015 for vacation sell back. The Ratepayers believe line 5 column D should

show the correct test year income of \$41,568.12 which it does. But once again, there is no correction in Column E, K&M Changes. The Ratepayers think a -\$1539.56 figure should be in the K&M column so that Column F has the correct salary of \$40,028.56. If Rio Concho intends to always pay Ms Brunson 2 weeks of vacation sell back, then this is simply a pay increase.

Rio Concho's original Form II-8 Contract Work showed a huge difference between their original form and their final revision:

	Original	Final	Difference
2013	\$4,775.00	\$19,175.00	\$14,400
2014	\$7,536.00	\$21,936.00	\$14,400
2015	\$26,986.94	\$26,986.94	
K&M Change	\$1,470	\$1,470	
Adjust Year	\$28,456.94	\$28,456.94	

The Ratepayers note that the 2015 test year figures did not change between their original and their final versions. We would like to point out that 2013 was the test year for the last water rate case and we must wonder how their accounting for 2013 is off by \$14,400. The Ratepayers assume that Mr Brunson's salary was not included in the 2013 or 2014 original figures and this accounts for the difference. The Ratepayers believe this is another example of sloppy bookkeeping and a sloppy application.

Specifically, on the 2015 Contract Work, the Ratepayers still object to the meter reader fees in which Rio Concho paid 59.4% of the annual \$2130 fee to the owner's children. The Ratepayers continue to argue that Ms Brunson's self-described job description states that her job requires her to read meters. Indeed in 2014, she read meters by herself for 3 of the 12 months that year. The Ratepayers call this "Double Expensing" where we're billed once in Ms Brunson's salary for this duty, and again when she hires family members and friends to accomplish the job.

The Ratepayer know of no company that can lose money during their test year yet grant their meter readers a 69% annual increase over their 2015 annual meter reader fee. (\$2130/yr to \$3600/yr). No business makes those types of decisions. Delving into this even further, Rio Concho proposes to pay their meter readers \$25/hr x 4 hours x 3 readers=\$300/mo, when the company VP (and only employee) earns only \$19.25/hr. Rio Concho stated their intent to pay the meter readers per the job, thus if there

1 were only two readers in one month, they would split the \$300 equally. That equates to \$37.50/hr for
2 four hours work, almost double the hourly rate of Ms Brunson. The Ratepayers feel this is another
3 attempt to inflate their costs to justify a rate increase, and again, is a Double Expense that is not
4 justified.

5 Ms Brunson also states that her duties include customer billing and filing, and customer connects and
6 disconnects. Yet she hires her children to occasionally help on these jobs also. This double expense
7 during the 2015 test year amounted to an additional \$815.

8 **Form I-1 Revenue Requirement Summary, line 8 Transportation Expense**

9 The Ratepayers noted numerous questionable fuel receipts which showed large quantities of fuel
10 purchased on a single day or consecutive days. The Ratepayers introduced this topic in their pre-filed
11 testimony in August 2016, three and a half months prior to the Dec water hearing. The Ratepayers data
12 originated from Rio Concho's expenses as reported in their Quickbooks register. When asked about
13 these discrepancies during the hearing, Ms Brunson stated she wasn't aware of any discrepancies and
14 would have to check her Quickbooks. She turned down our offer to hand her the Quickbooks register
15 she submitted and stated she'd have to check her Quickbooks on her laptop which was at home. Why
16 would Rio Concho attend a hearing without their laptop? Isn't a PUC hearing on water rates at the top
17 of their priority list? Considering Rio Concho had 3.5 months to review their fuel receipts and since Rio
18 Concho had no forthcoming response in the hearing, the Ratepayers are left with the conclusion that Rio
19 Concho is refueling multiple family vehicles rather than the single vehicle that they're attempting to
20 expense to the water company. There can be no other explanation as their water company vehicle, a
21 2015 Audi Q5, only holds 19.8 gallons in its fuel tank. The Ratepayers noted that regular gas and diesel
22 gas were purchased even though their Audi Q5 requires Premium fuel. The following is our summary of
23 their questionable fuel purchases which was introduced as evidence at the hearing:

24 35 gallons purchased on Jan 12, 2015: 26 gallons purchased on Feb 5: 32 gallons purchased on Feb 25-
25 26: 28 gallons purchased on Mar 18-19: 25 gallons purchased on Mar 23-24: 22 gallons purchased on
26 Apr 9-10: 29 gallons purchased on May 4-5: 35 gallons purchased on May 14-15: 22 gallons purchased
27 on May 26: 25 gallons purchased on Jun 16-17: 29 gallons purchased on Jul 23: 52 gallons purchased
28 on Jul 27: 39 gallons purchased on Aug 10-11-12: 41 gallons purchased on Sep 17: 44 gallons
29 purchased on Sep 19-20-21: 32 gallons purchased on Sep 29-30: 35 gallons purchased on Oct 13-14:

24 gallons purchased on Oct 16-17: There can be no other explanation except that Rio Concho is refueling other family vehicles and charging it to their water customers.

Line 8 Transportation Expense Column E has a K&M Change figure of \$688.01. Referring to PUC Form II-9 Transportation Expense, once again Rio Concho does not follow directions which state: "Explanation and calculation of known and measurable change" and Rio Concho ignores this requirement by not annotating the II-9 Transportation Expense form properly. Researching Rio Concho's expenses as submitted in Response to Commission Staff's 1st RFI (PUC 45720-33) we note that the \$688 figure is for a tire replacement estimate on a vehicle that is only 6 months old. The tires weren't purchased, it's simply an estimate. The Ratepayers understand K&M Changes but under Rio Concho's logic, all oil changes & car washes projected forward through the year could be a K&M change. We disagree. The Ratepayers strongly agree with the PUC Staff who advocate that Rio Concho's vehicle expenses should be based on mileage reimbursement only.

To supplement this mileage discussion, Rio Concho submitted very misleading mileage figures to Commission Staff's question 2-2 (Rio Concho Aviation's Response to Commission Staff's Second Request for Information Questions 2-1 through 2-13, PUC 45720-44, p 3). Staff asked for the mileage from the airport office to the Walmart used to buy supplies, the lab used, the Post Office used, and the bank used. Rio Concho provided mileage from the airport office to the locations near their home. From the airport office to the Walmart near their home, Rio Concho claimed 36.5 miles, yet two Walmarts are within 5 miles of the airport office, one is only 3 miles away. Rio Concho used both of the closer Walmarts to purchase supplies in 2015. Of the bleach supplies purchased, only 12 of 33 (36.3%) receipts were from Walmarts near their home, 8 were from the closer Walmarts, 9 were deliveries to the airport, and 4 claims had no receipts. These receipts were found in Response to Commission Staff's 1st RFI (PUC 45720-33 RCA 00059-00077)

Rio Concho claimed 38.6 miles to the post office used, yet there is a post office in Saginaw 7 miles away. Ms Brunson passes within one block of this post office as she drives from their home to the airport water facility.

Rio Concho claimed 33.8 miles from the airport office to their bank, yet BBVA Compass bank has a branch in Saginaw that is only 5 miles from the airport office and located in front of the Saginaw Walmart. She passes this as she drives from their home to the airport water facility.

1 In probably the most egregious PUC violation, Rio Concho attempted to expense items related to the
2 new Audi vehicle to the 2015 test year which actually were incurred in 2014. These items were noted in
3 the Ratepayers Response to Rio Concho Documents. (PUC 45720-64 p 32 lines 1-7). The Ratepayers
4 understand Rio Concho was using Cash basis accounting in 2014, but switched to the Accrual method in
5 2015.

6 **Administrative and General Expenses**

7 Rio Concho's largest attempt to inflate their costs can be found in this area. In 2015, Rio Concho began
8 paying for a Health Insurance policy for its one employee at a cost of \$6360.21. This same policy is
9 projected to cost \$7787.76 in 2016. Also added in 2015 was a Life Insurance policy at \$1333.56/yr and
10 an Annual Retirement Annuity costing \$4666.44/yr. This amounts to \$13,787.76 on line 13 Column F of
11 the I-1 Revenue Requirement Summary. The Life Insurance policy face page (attachment 7), 4th
12 paragraph, references a guaranteed interest rate of 3% which leads the Ratepayers to believe this is not
13 a term insurance policy. When questioned during the hearing, Rio Concho stated they had no idea what
14 type of insurance policy it was. This was also 3.5 months after the Ratepayers broached the topic in
15 their prefiled testimony. Rio Concho had plenty of time to find out the policy details. The Ratepayers
16 object to funding any life insurance policy let alone one that has a future cash value available to the
17 owners of the water company.

18 In regards to the retirement annuity, Rio Concho stated in RFI Question from Staff 2-8 (PUC 45720-45)
19 "To say the full time employee of Rio Concho Aviation is not entitled to just a few of the benefits listed
20 above would, be saying she would be considered a second class citizen." Yet by Rio Concho's own
21 admission, Ms Brunson has owned the water system for 20 years and 2015 was the first year she had
22 this retirement annuity. Was she a second class citizen for the prior 20 years of ownership? The
23 Ratepayers feel that all these items are simply a way to increase expenses to justify a rate increase.
24 Further, PUC Staff stated "Very few class C water utilities, if any, have requested rate increases at the
25 Commission (or previously at the TCEQ) have asked for life insurance or retirement." "To be able to
26 compete in an open market, the cost of including this level of benefits would likely drive the utility out
27 of business." (Direct Testimony of Debi Loockerman p13 of 21, lines 8-12).

Other Expenses

In violation of IRS rules, Rio Concho attempted to write-off a parking ticket received in Austin during the test year. In another IRS violation, Ms Brunson traveled to a water conference on August 10-11-12, 2015 in Austin in which she brought along 3 others, and apparently paid for all their meals. The Ratepayers calculated \$392.44 spent on meals for the four people. Only one, Ms Brunson, is legal to write off her expenses per IRS Regulations.

Ms Brunson stated that she occasionally purchased meals for her contract employees in order to not interrupt their work at the water facility. The water facility is approximately 33 miles from their home. The Ratepayers found food purchases at a Taco Casa near their home on Friday 10/16/2015 at 12:36pm, a Panda Express near their home on 9/17/2015 at 3:54pm, and a Pizza Hut near their home on 11/30/2015 at 5:11pm. How is a food purchase 33 miles away from the water facility a part of the water company business? No contract labor payment was recorded for two of the three dates in question. Receipts for both instances were found in Rio Concho Aviation's Response to Commission Staff's 1st RFI (PUC 45720-33 p 000219-000226).

Lastly, despite Rio Concho's inundation of expenses in 2015, a K&M change to line 23 Total admin & general expense on I-1 Revenue Requirement Summary is projected to be 35% greater (an additional \$10,614 more) than their 2015 test year.

Affiliate Transactions

Rio Concho's use of an airport office simply amounts to an additional source of revenue at the expense of the Ratepayers. This \$6,000 is an added expense that is actually greater than portrayed.

First, the hangar housing the water office is owned by the Brunson's. The hangar dimensions are 45 ft by 50 ft for a total of 2,250 sq feet. Inside the hangar are two aircraft owned by the Brunson's. One is a 1973 Beechcraft Bonanza with a wingspan of 33.5 ft (wing tip to wing tip) and a length of 27.5 feet. The approximate floor area covered by this aircraft is 921 sq ft. The second aircraft is a 1974 Cessna C-150 with a wingspan of 33'2" and a length of 23'11". The approximate floor area covered by this aircraft is 792 sq ft. Since one aircraft is a high wing aircraft and the other is a low wing aircraft, the wings can overlap each other so adding the two square footages together does not accurately result in total square footage. Rio Concho claims its leasing 900 sq ft of the hangar for water company business. Rio Concho's golf cart is approximately 10 ft long and 4 ft wide. Adding 1 foot on either side of the golf cart

for clearance, results in 60 sq ft of floor space occupied. Rio Concho also has a work bench which is approximately 12 sq ft of floor space. No water company chlorine is stored in the hangar as it's a corrosive and no one would put a corrosive near an airplane. So adding up water company office, golf cart, and workbench square footage totals $(210+60+12=)$ 282 sq ft. Rio Concho is missing another 618 sq ft of leased area, which is almost 3 additional water office spaces inside their hangar. Total square footage of the two aircraft & water office is approximately $(921+792+900=)$ 2613 sq ft which exceeds the actual hangar size. Why would Rio Concho inflate the square footage of leased water company area? Perhaps it was to drive the cost per sq foot down when compared to comparable offices in the nearby area. The ratepayers have driven past the hangar and 900 sq ft, in our opinion, is simply not being utilized by the water company. We can argue about the sq footage but the bottom line is, the \$6,000 lease payments are simply a \$6,000 bonus payment to themselves. It's expensed to the water company yet the Brunson's own the hangar. It's an instant profit payment on top of the water company income.

Is the \$6,000 lease the only benefit to this Affiliate Transaction? No. Rio Concho is expensing 1/3 of their liability coverage insurance and 1/3 of their property coverage insurance to the water company. Included in both of those one third expenses is their own personal hangar at 419 Aviator, which happens to include the water office. It also contains their two personal aircraft which consume much more square footage than what is leased to the water company. This added benefit inflates their expense to the water customers beyond the \$6,000/yr lease cost, and effectively has the water customers paying for a portion of the property & liability costs on the Brunson's personal hangar.

Speculation

Is Rio Concho aware that they can ask for a waiver to have their office in their home? Yes, they are aware as the Ratepayers discussed this PUC Statute during a telephone call in June 2016. It was also discussed during the hearing in Dec 2016. So what is Rio Concho's motivation for NOT asking for a waiver since they've maintained their corporate office in their home for 20 years? The Ratepayer think if Rio Concho applied for a waiver, they wouldn't be able to expense the \$6,000/yr in office lease to the water customers. That they own the hangar and pocket the \$6,000 in lease payments is simply another source of income on top of their water company income. Rio Concho is desperate to also claim their home office so that they can expense their vehicle to their water customers and use the mileage between the home office and their airport water office as business miles and not commuting miles. The IRS also plays a part in expensing vehicles if used more than 50% of the time for business. That's why

1 Rio Concho claims they use their vehicle for 60% as business. They want both offices and the benefits of
2 both at the expense of the water customers. They prefer to not have a single office at the airport as it
3 would require Ms Brunson to post office hours and be present for some period of time every day.

4 Depreciation

5 Annual Depreciation has confounded Rio Concho since their first application for a rate change. In that
6 first document, (PUC 45720-2 and -3), Application of Rio Concho Aviation, Inc. for a Rate Change they
7 listed depreciation as \$10,154.14, \$10,526.66, \$10,451, and \$10,562.66 in different areas of their
8 application. By their final revision to the PUC Staff, as found in (PUC 45720-105) Rio Concho Aviation
9 Response to Commission Staff's Fourth Request for Information 4-5f, Rio Concho claimed Annual
10 Depreciation was \$10,526.66 (page RCA 00914). However, that was also found to be in error during the
11 PUC hearing when the Ratepayers discovered an error in Rio Concho's spreadsheet in which they
12 exceeded the original cost of a compressor in their accumulated depreciation column. During the
13 hearing, the Ratepayers asked Rio Concho if they would consider submitting another revision with all
14 numbers corrected in order to clear up the confusion caused by their multiple revisions. No corrected
15 version was filed or received.

16 The Ratepayers have included the final version of their Depreciation schedule as attachment 8 including
17 their error. The Ratepayers have also included a corrected Depreciation schedule for Rio Concho based
18 on Rio Concho's numbers and have attached it as Attachment 9 to this document. The Ratepayers, as
19 best as we can determine, think the Rio Concho's claimed Annual Depreciation should be \$10,451.43,
20 based on their numbers. Accumulated Depreciation should be \$124,267.88, and Original Cost (Column
21 D) should be \$210,545.85.

22 The Ratepayers strongly qualify these figures with the following statements:

- 23 1) These figures are based on Rio Concho's latest provided information only.
- 24 2) The Ratepayers still advocate that numerous items within the Depreciation schedule should be
25 excluded.

26 The Ratepayer have also included a Ratepayers amended version of what Rio Concho's Depreciation
27 schedule should be and attached it as Attachment 10.

28 Attachment 11 shows another error in Rio Concho's Depreciation entry on Form III-2 Rate Base
29 Summary, line 2 on their final version of their rate application. Rio Concho used an outdated number.

Paving

The Ratepayers object to the 2013 Paving cost of \$6011.12. Rio Concho provided the PUC Staff with a Google map page with hand drawn locations of water pipes under the newly paved section. The Ratepayers did not see this submission until the hearing and then only for less than one minute. As the PUC Staff is only involved with water rate increases and not other aspects of PUC regulations, they may not be aware of TCEQ Statute 291.81(a)(4) which states:

"Each utility shall maintain a current set of maps showing the physical location of its facilities. All facilities (production, transmission, distribution or collection lines, treatment plants, etc.) must be labeled to indicate the size, design capacity, and any pertinent information that will accurately describe the utility's facilities. These maps, and such other maps as may be required by the commission, shall be kept by the utility in a central location and must be available for commission inspection during normal working hours."

PUC Statute 24.81(a)(4) duplicates this wording in the above TCEQ Statute. Were these maps provided to the PUC Staff?

These TCEQ/PUC required maps were not submitted to the Ratepayers, and were not admitted into evidence during the hearing. Nor were the Ratepayers given a map. Relying on our memory of what we were shown, the Ratepayers have redrawn the water lines on their Google map and attached it as Attachment 12. The map shows 2 water lines, one from the well house to the fenced-in water area and one distribution line with a T-intersection. (See Attachment 12) See a close-up of this map on Attachment 13.

Rio Concho claims this area was paved to protect their water lines and valves. What Rio Concho ignores is that

1) a valve buried under asphalt is not accessible and merely becomes an open pipe.

2) Rio Concho did not show the PUC Staff the location of the two underground aviation fuel tanks adjacent to the fuel pumps which would also be protected by the paving.

3) The distribution line that runs north and south to the individual hangars is NOT protected in the area north of the newly paved area. This area currently has rough asphalt, and has automobile & aircraft traffic on it. If the newly paved area was to protect the water pipes and valves, why wasn't the rough asphalt area to the north not paved since it also has distribution lines under it?

4) The newly paved area is on both sides of the two aviation fuel pumps. Anyone with a pilot's license knows that rough asphalt can and will throw up small pebbles of asphalt which will damage a spinning propeller. Since the map shows white guide lines to the fuel pumps on both the north and south sides of the fuel pumps, and since both areas were repaved, and since the fuel storage tanks are also underground in this same area, the Ratepayers still advocate that this paving was done to protect the water lines, fuel tanks and aircraft propellers, and to make the sale of aviation fuel more attractive. Consider the small square footage protecting the water pipes vs the large area repaved. Why was the area north of the fuel pumps repaved as there are no water pipes in this area? As such, only a small portion, if any, of this \$6011 cost should be attributed to the water company. The vast majority of this cost should be attributed to Rio Concho Aviation Fuel company.

Television

Rio Concho purchased a television in 2014 and wrote off the entire expense to the water company. Their receipt actually shows a television, a Blu-ray player, an antenna, a wall mount, and the movie “Dumb and Dumber” DVD. When the Ratepayers objected to this purchase in mid-August 2016, Rio Concho had ample time to correct their Depreciation schedule but made no attempt to do so.

Rio Concho claims the TV is to check local weather which might affect their operation and the DVD player was to watch training films. However, this TV does not receive the Weather Channel, their cell phone has better weather apps available for download, including weather radar apps for free, and their laptop computer could easily play the training dvd's if desired. In addition, Ms Brunson's TCEQ Water Qualifications show only online training accomplished since 2010, a full four years prior to the purchase of the TV, DVD player, and other items.

Sideboard and Lamps

These two purchases were made in 2013, well before the construction of the hangar office which wasn't operational until mid-2014 according to Rio Concho. They were purchased for their home office. Their home office was not in compliance with PUC Statute 24.81 Local Office, thus the Ratepayers continue to object to this purchase on the Depreciation schedule.

Chairs, Desk & Chair Depreciation Expense

The Ratepayers object to the expense of these two items as Rio Concho operated their main office at their home. As such, Rio Concho expensed Office Equipment in 1995 at \$4,150, which according to the

Depreciation Schedule, they're still using 21 years later. The Ratepayers know of no office equipment that has a service life of 10 years and is still in use after 21 years other than office furniture. The Ratepayers must ask why we're being charged to furnish two offices via new charges in 2014 and 2015?

PUC Statutes

PUC Statute 24.31(c)(2) states:

(2) Invested capital, also referred to as rate base. The rate of return is applied to the rate base.

Components to be included in determining the rate base are as follows:

(A) Original cost, less accumulated depreciation, of utility plant, property, and equipment used by and useful to the utility in providing service;

(B) Original cost, less net salvage and accumulated depreciation at the date of retirement, of depreciable utility plant, property and equipment retired by the utility;

PUC Statute 24.31 (b)(1)(b) states: "Depreciation is allowed on all currently used depreciable utility property owned by the utility...."

PUC Statute 24.31 (c)(2)(b) states "Original cost, less net salvage and accumulated depreciation at the date of retirement, of depreciable utility plant, property and equipment retired by the utility; "

These statutes come into play with Rio Concho's two vehicles.

1995 Ford Truck

This truck has been fully depreciated and removed from water company service. However, during the PUC hearing, Rio Concho testified that the truck is now a "farm truck" and used on their farm. This means the truck not only has value for the Brunson's farm but would also have value if used on any other farm. PUC Statute Chapter 24.31.(b) states: "On all applications, the depreciation accrual for all assets must account for expected net salvage value in the calculation of depreciation rate and actual net salvage value related to retired plant." Further, Chapter 24.31(c)(2)(b) states "Original cost, less net salvage and accumulated depreciation at the date of retirement of depreciable utility plant, property and equipment retired by the utility;". Thus, if this truck has value today as a farm truck, it had an even larger value when it was originally retired from water company service. Thus, that greater value must be subtracted from the original cost of the truck on the Depreciation schedule.

1 It was difficult to value this truck as we don't know which engine it has, whether it has a super cab, king
2 cab or crew cab, or 2 wheel or 4 wheel drive, however the Kelly Blue Book website valued this vehicle
3 today as \$3602 to a high of \$5436 in good condition from a private party. Again, these values would
4 have been much higher when the vehicle was first retired years ago. Rio Concho has not adjusted their
5 Depreciation schedule for this salvage value.

6 Vehicle Audi Q5

7 The Ratepayers continue to believe the Audi Q5 is used for commuting purposes from their home to the
8 local airport water office. As such, the depreciation amount should be denied. Rio Concho claims they
9 made an agreement with the PUC Staff during the prior rate case, but cannot produce an agreement,
10 nor does the PUC Staff agree with Rio Concho. Rio Concho has proven that it can accomplish all water
11 department duties using their 2 passenger Audi sports car as this vehicle has been seen on numerous
12 occasions at the airport and Rio Concho provided a notarized statement that this sports car was used for
13 four month time period while their prior vehicle was in the shop for repairs. Traveling around the
14 airport can easily be accomplished on the private airport roads with their golf cart. The Ratepayers have
15 no objection to the golf cart purchase, but we do object to this luxury Audi SUV.

16 In the same Salvage value reference for the 1995 Truck, the Ratepayers contend that a Salvage value for
17 the 2015 Audi should be established and the Depreciation schedule should be amended if the PUC
18 allows this vehicle as a depreciable asset. The vehicle is not titled to Rio Concho but to Ms Brunson.
19 Again, the Ratepayers contend this vehicle is used to commute from their home to their airport water
20 office and only a mileage reimbursement should be allowed.

21 Return on Invested Capital, & Return of Return

22 The Ratepayers do not have the background in investment principles nor accounting to address these
23 two topics with authority. As such, we defer to the PUC Staff's expertise and recommendations for what
24 is appropriate for Rio Concho.

25 Rate Design

26 Rio Concho's original application Form III-3 Utility Plant in Service showed an Original Cost total of
27 \$210,581.85 which transferred to Form III-2 Rate Base Summary line 2. As this rate case proceeded, Rio
28 Concho amended this figure and claimed \$210,545.85 as the Original Cost. Rio Concho is still using the
29 incorrect original \$210,581.85 figure in their Rate Base Summary line 2 as evidenced in Rio Concho

1 Aviation's Response to Commission Staff's Fourth Request for Information Questions 4-1 through 4-18
2 and 4-5f, RCA p 920 (PUC 45720-105 p 88). See Attachment 11.

3 The PUC Staff calculated the average Rio Concho water customer consumed 1600 Gallons of water each
4 month. (Direct Testimony of Elisabeth English, p 8, lines 16-17). The math shows that the average
5 water customer consuming 1600 gallons would endure a 62.57% cost increase based on Rio Concho's
6 final rate submission when compared to 2014 water rates. The Ratepayers fully support the PUC Staff
7 and prefer the PUC Staff's rate design.

8 Rate Case Expenses

9 During the hearing, PUC Staff member Debi Loockerman was asked whether a Class B or a Class C rate
10 increase application was difficult to complete. She answered no. She was also asked whether a Class C
11 water company, like Rio Concho, could fill out the Class B application without hiring an attorney. She
12 answered Yes. All three intervenors testified that Kevin Brunson, during the March 2016 water
13 customers meeting, stated (paraphrasing) if you protest, I'll simply hire an attorney and you'll have to
14 pay those costs too. During the hearing, Mr Brunson was asked if he recalled this statement. His
15 answer was confusing but we think he replied that he might have said something similar but not those
16 specific words. Again, his reply was confusing. Regardless of the exact wording, his statement was a
17 non-veiled threat. Rio Concho's path through this proceeding was to punish all Ratepayers by hiring an
18 attorney and running up a bill in excess of \$106,000 as of the end of the hearing phase. The Ratepayers
19 agree that Attorney John Carlson accomplished a task that neither Rio Concho nor the Ratepayers could
20 have done as we are not trained in law. What the Ratepayers would argue is that none of this expense
21 was necessary, as Debi Loockerman testified. It simply is not required for a Class B rate increase
22 application.

23 Rio Concho complained on several occasions at the repeated requests for information from the PUC
24 Staff. Our response in defense of the Staff is that Rio Concho's application was sloppily accomplished,
25 depreciation figures varied, expenses were inflated, and costs were out of line. The Staff asked for a lot
26 of documentation in their attempt to pin down accurate numbers for Rio Concho. Had Rio Concho
27 accomplished a professional and accurate original application, following IRS guidelines, GAAP, and PUC
28 Statutes, we surmise the PUC Staff wouldn't have made so many requests. Is the blame with the Staff
29 or Rio Concho? All of Rio Concho's replies had to go through their attorney, thus generating greater
30 rate case expenses.

1 Rio Concho's request for reimbursement for its rate-case expenses should be denied. Rio Concho has
2 not demonstrated that its rate increase is "just and reasonable" as required by Texas Water Code. The
3 PUC Staff found that Rio Concho was entitled to a \$33.69 base rate (an increase from \$31.00) and a
4 decrease in gallonage charge to \$3.20/1000 gallons (from the current \$5.50/1000). The net revenue to
5 Rio Concho under these rates would be less than their current revenue by -\$6400 as calculated by the
6 PUC Staff. Obviously, this rate increase was folly for Rio Concho to pursue. The Ratepayers contend
7 that if Rio Concho cannot even justify their current revenue, let alone their desired increase in revenue,
8 then the Ratepayers should not be liable for any expenses Rio Concho incurred in defending their rate
9 increase. These rate case expenses simply were not necessary for Rio Concho and certainly not
10 necessary for the Ratepayers.

11 Rio Concho could have simply presented their rate case data to the PUC Staff and worked with the Staff
12 on a suitable rate design showing Rio Concho where they were not inline with equivalent other Class C
13 water companies. An attorney would not have been required.

14 The Ratepayers speculate that Rio Concho will attempt to argue that if they have to pay rate case
15 expenses, they will have to declare bankruptcy. After all, their rate case expenses to date amount to
16 over 85% of their 2015 Total Historic Revenue. The Ratepayers would argue that no one forced, cajoled,
17 nor encouraged Rio Concho to hire an attorney. That was 100% their decision. PUC Staff member Debi
18 Lookerman stated during the hearing that the PUC Staff reviews all rate case requests, with or without
19 ratepayer protests, and with or without attorney representation, thus the Ratepayers should not be
20 penalized with rate case expenses.

21 **Issues Not Addressed**

22 **PUC Statute 24.81**

23 To the Ratepayers, Violations of PUC Statutes is an important topic. Perhaps this is better addressed to
24 the enforcement branch of the PUC, but we want to emphasize it in these proceedings. Regulations are
25 written for a specific purpose: to protect both the water consumer and the utility. No one has the right
26 or authority to pick and choose which PUC regulations to follow or violate. The Ratepayers contend
27 that Rio Concho is/was in violation of PUC Statute 24.81

28 Specifically, PUC Statute, Chap 24.81 (d) states:

1 "(d) Local office.

2 (1) Unless otherwise authorized by the commission in response to a written request, each
3 utility

4 shall have an office in the county or immediate area (within 20 miles) of a portion of its
5 utility service area in which it keeps all books, records, tariffs, and memoranda required by
6 the commission.

7 (2) Unless otherwise authorized by the commission in response to a written request, each utility
8 shall make available and notify customers of a business location where applications for
9 service can be submitted and payments can be made to prevent disconnection of service or to
10 restore service after disconnection for nonpayment, nonuse, or other reasons specified in
11 §24.88 of this title (relating to Discontinuance of Service). The business location must be
12 located:

13 (A) in each county where utility service is provided; or

14 (B) not more than 20 miles from any residential customer if there is no location to
15 receive payments in that county.

16 (3) Upon request by the utility, the requirement for a local office may be waived by the
17 commission if the utility can demonstrate that these requirements would cause a rate increase
18 or otherwise harm or inconvenience customers. Unless otherwise authorized by the
19 commission in response to a written request, such utility shall make available and notify
20 customers of a location within 20 miles of each of its utility service facilities where
21 applications for service can be submitted and payments can be made to prevent disconnection
22 of service or restore service after disconnection for nonpayment, nonuse, or other reasons
23 specified in §24.88 of this title."

24 The Ratepayers contend that numerous statute violations have occurred and continue to occur as a
25 result of Rio Concho blatantly ignoring this statute.

26 Statute Violation 1) Rio Concho's home office is not within Tarrant county where their utility service is
27 provided:

28 Statute Violation 2) The Rio Concho home office is more than 20 miles from any residential customer.

29 Statute Violation 3) According to PUC Staff, Rio Concho has never requested a waiver for their home
30 office location.

Statute Violation 4) Rio Concho claims to have an airport utility office, yet no notice of that office has ever been sent to its water customers. Books, records, tariffs, and memoranda required by the commission are located at their home office.

Statute Violation 5) Rio Concho notified its customers, on their June 2016 water bill, that a drop box was available for water payments at the airport site, but this portion of paragraph B3 above “such utility shall make available and notify customers of a location within 20 miles of each of its utility service facilities where applications for service can be submitted and payments can be made to prevent disconnection of service or restore service after disconnection for nonpayment, nonuse, or other reasons specified in §24.88 of this title” has never been accomplished.

The Ratepayers also found similar language in TCEQ Statute 291.81(d) which was effective Sept 28, 2006.

Rio Concho admits they had no local office between 2010 and 2014. Rio Concho claims their local water office was operational in 2014 but the Ratepayers know of no one that was aware of an airport water office in 2014 and such notice has never been sent to Rio Concho’s water customers.

The Ratepayers believe a structure was started in the Brunson hangar in 2013. By Rio Concho’s admission, the structure was repurposed into a water office (PreFiled Direct Testimony of Randy Manus, p 17, line 11. PUC 45720-54). Final construction was complete as evidenced by a receipt from North Remodeling dated July 3, 2015 for tape, bed, and texture, install trim molding, built cabinet door and frame, and repaired the French doors. The structure may have been able to be used in 2014 as Rio Concho claims, but the Ratepayers don’t believe it could possibly qualify as an office until 2015 at the earliest. Regardless of the date, Rio Concho was in violation of the Local Office requirement for 4 or 5 years. Rio Concho is still in violation of this statute as they have never notified their water customers that a local office exists. That puts them in violation of 24.81(d)(2) and (3) failure to notify.

Financial Integrity of the Utility

During the hearing, the Ratepayers specifically asked PUC Staff member Debi Loockerman whether the figures generated by the PUC Staff would ensure the financial integrity of the Rio Concho utility. Ms Loockerman assured the court that the Staff’s job was to ensure the financial integrity of this utility as they would all utilities, and that the Staff’s figures would ensure Rio Concho’s integrity.

Conclusion

- 1) The Ratepayers are appalled/saddened that Rio Concho has chosen to escalate their revenue needs in 2016 which will cost the average Rio Concho water customer, who consumes 1600 gallons/month, to pay a 62% increase over the 2014 rates.
- 2) The Ratepayers contend that Rio Concho's application was sloppy and unprofessional, contained numerous errors, violated IRS regulations for recording expenses, didn't follow the PUC application instructions, and violated PUC Statutes. We think we've proven it in this document.
- 3) Rio Concho has shown that they desperately need a qualified accountant to advise on legal issues in accounting, to help with their application, and generally provide the guidance they seemingly need.
- 4) Rio Concho initiated this rate increase just one year after the previous rate case was settled with an agreed rate which was then lowered by the PUC without an in-depth look at their financials. That should have been a clue to Rio Concho that their costs were out of line.
- 5) Rio Concho chose to hire an attorney and increase their rate case costs astronomically. That was their decision alone.
- 6) We view Rio Concho's manipulation of their Total Historic Revenue by -\$4,555 as simply a means to reduce the 51% rate case reimbursement figure by over \$2,000 to a lower more attainable figure in their minds.
- 7) The Ratepayers contend that the only experts in this case are those found within the PUC Staff and we fully support the majority of their findings as this case has progressed. They have the experience that the Ratepayers simply don't possess.
- 8) The Ratepayers stand by their previous reduction in expenses as found in The Ratepayers Response to Rio Concho Aviation Water Rate Increase Application (PUC 45720-64 p 33-35). When written in August 2016, the total was \$29,159 in reduced expenses. As further investigation has proceeded, we're confident we could extend those reduced costs into the \$30,000 plus range. Rio Concho's expenses are out of line.

Attachments

Form I-2 Historical Revenue Summary as found in Rio Concho Aviation's Original Application for a Rate Change (PUC 45720-2. p 7)

LITY NAME: Rio Concho Aviation, Inc. <u>Rio Concho Aviation, Inc.</u>				
SCHEDULES - CLASS B RATE/TARIFF CHANGE				
FOR TEST YEAR ENDED: <u>2015</u>				
I-2 HISTORICAL REVENUE SUMMARY				
Line No.	NARUC A/C	Description	Historical Test Year	
1.	461	Metered connections base rate revenue	91799.2	From financial records
2.	461	Metered connection gallonage rate revenue	28117.37	From financial records
3	460	Unmetered (Flat rate) revenue	0	From financial records
4		Total Metered & Flat Rate Revenue	119916.57	
5.		Plus: Total Other Revenues	3011.54	From II-3, Column B, line 7
6.		Total Historic Test Year Revenues per income statement and Annual Report*	122928.11	Line 4 plus line 5

(to I-1, Column D, line 29)

*Provide all calculations and explanations for any differences between the applicant's annual report and this schedule.

* If the utility provides other than residential retail service (wholesale, industrial, etc), provide a work paper with the detail of this account by NARUC sub account number.

Form I-2 Historical Revenue Summary final version of Rio Concho's Rate Application as found in Response to Commission Staff's Fourth Request for Information Questions 4-1 through 4-18 and 4-5f, RCA p 915 (PUC 45720-105 p 88).

UTILITY NAME: RIO CONCHO AVIATION, INC.			
SCHEDULES - CLASS C RATE/TARIFF CHANGE			
I-2 HISTORICAL REVENUE SUMMARY			
PUC Docket No. 45720		Test Year End: 2015	
Line No.	NARUC A/C Description	Historical Test Year	
1.	461 Metered connections base rate revenue	\$ 90,396.00	From Financial records
2.	462 Metered connections gallonage rate revenue	\$ 25,641.00	From Financial records
3.	406 Unmetered (Flat rate) revenue	\$	From Financial records
4.	Total Metered & Flat Rate Revenue	\$ 116,037.00	
5.	Plus: Total Other Revenues	\$ 2,336.58	From II-3, Column B, line 8
6.	Total Historic Test Year Revenues per income statement and Annual Report	\$ 118,373.58	Line 4 plus line 5

(to I-1, Column D, Line 29)

Adjusted to reflect current Rates

Form I-1 Revenue Summary Requirement as found in Rio Concho Aviation's Original Application for a Rate Change (PUC 45720-2. p 6)

UTILITY NAME: Rio Concho Aviation, Inc.						
SCHEDULES - CLASS B RATE/TARIFF CHANGE						
I-1 REVENUE REQUIREMENT SUMMARY						
PUC Docket No. 45720		Test Year End: 2015 2015				
A	B	C	D	E	F=D+E	G
			Historical Test Year	K & M Changes	Adjusted Test Year	
Line No.	Acct. No.	Account Name				Reference/ Instructions
		Volume related expenses:				
1	610	Purchased water				Schedule II-3
2	615	Power Expense-production only	3,048	-	3,048	Schedule II-4
3	618	Other volume related expenses	1,620	-	1,620	Schedule II-5
4		Total volume related exp.	4,668	-	4,668	Add Lines 1-3
		Non-volume related expenses:				
5	601-1	Employee labor	41,568	-	41,568	Schedule II-6, Line 1
6	620	Materials	3,515		3,515	Schedule II-7
7	631-636	Contract work	26,987	1,470	28,457	Schedule II-8
8	650	Transportation expenses	3,283	688	3,971	Schedule II-9
9	664	Other plant maintenance	-	-	-	Schedule II-10
10		Total non-volume related exp.	75,353	2,158	77,511	Add Lines 5-9
		Admin. & general expenses:				
11	601-2	Office salaries	-	-	-	Schedule II-6, line 2
12	601-3	Mgmt. salaries	-	-	-	Schedule II-6, line 3
13	604	Employee pensions & benefits	6,360	7,428	13,788	Schedule II-11
14	615	Purchased power-Office only	-	-	-	Schedule II-4
15	670	Bad debt expense	-	-	-	Schedule II-12
16	676	Office services & rentals	6,000	-	6,000	Schedule II-13
17	677	Office supplies & expenses	7,462	-	7,462	Schedule II-14
18	678	Professional services	719	1,200	1,919	Schedule II-15
19	684	Insurance	2,542	-	2,542	Schedule II-16
20	666	Regulatory (rate case) expense	227	1,567	1,794	Schedule II-17
21	667	Regulatory expense (other)	175	420	595	Schedule II-18
22	675	Miscellaneous expenses	7,459	-	7,459	Schedule II-19
23		Total admin. & general expense	30,944	10,615	41,559	Add Lines 11-22
24		Total operating Expenses	110,965	12,773	123,737	Lines 4 + 10 + 23
25	403	Depreciation	10,451		10,451	Sch III-3, Col E, Line 50
26	408	Taxes Other than Income	4,660	393	5,053	Sch IV(b), Line 8
27	409/10	Income Tax Expense	-	1,798	1,798	Schedule V, Line 7
28		TOTAL EXPENSES	126,076	14,964	141,040	
29		TOTAL HISTORIC REVENUE	122,928			Sch I-2, Line 6
30		HISTORICAL TEST YEAR RETURN	(3,148)			Line 30 less Line 29
31		REQUESTED RETURN			10,976	Schedule III-1, Line 3
32		TOTAL REVENUE REQUIREMENT			152,016	Line 30 plus Line 34
33		REQUESTED ANNUAL REVENUE INCREASE		(to notice)	29,088	Line 32 less Line 29
34		PERCENTAGE INCREASE			0.2366	Line 36 divided by Line 33
35		LESS: OTHER REVENUES			3,708	Sch. II-3(b), Col. D, Line
36		Revenue for Rate Design		(to VI, line 1)	151,645.61	Line 33 minus Line 35

Form I-1 Historical Revenue Summary final version of Rio Concho's Rate Application as found in Response to Commission Staff's Fourth Request for Information Questions 4-1 through 4-18 and 4-5f, RCA p 914 (PUC 45720-105 p 82).

SCHEDULES - CLASS C RATE/TARIFF CHANGE

I-1 REVENUE REQUIREMENT SUMMARY						
PUC Docket No. 45720			Test Year End:		2015	
A	B	C	D	E	F=D+E	G
			Historical Test Year	K & M Changes	Adjusted Test Year	
Line No.	Acct No.	Account Name				Reference/ Instruction
		Volume related expenses:				
1	610	Purchased water	\$ -	\$ -	\$ -	Schedule II-3
2	615	Power Expense-production only	\$ 3,048.19	\$ -	\$ 3,048.19	Schedule II-4
3	618	Other volume related expenses	\$ 1,619.76	\$ -	\$ 1,619.76	Schedule II-5
4		Total volume related exp	\$ 4,667.95	\$ -	\$ 4,667.95	add lines 1-3
		Non-volume related Expenses				
5	601.1	Employee labor	\$ 41,568.12	\$ -	\$ 41,568.12	Schedule II-6 Line 1
6	620	Materials	\$ 3,514.60	\$ -	\$ 3,514.60	Schedule II-7
7	631-636	Contract Work	\$ 26,986.94	\$ 1,470.00	\$ 28,456.94	Schedule II-8
8	650	Transportation expenses	\$ 3,283.21	\$ 688.01	\$ 3,971.22	Schedule II-9
9	664	Other Plant Maintenance	\$ -	\$ -	\$ -	Schedule II-10
10		Total non-volume related exp	\$ 75,352.87	\$ 2,158.01	\$ 77,510.88	Add Lines 5-9
		Admin. & general expenses				
11	601.2	Office Salaries	\$ -	\$ -	\$ -	Schedule II-6 Line 2
12	601.3	Mgmt. Salaries	\$ -	\$ -	\$ -	Schedule II-6 Line 3
13	604	Employee pensions & benefits	\$ 6,360.21	\$ 7,427.55	\$ 13,787.76	Schedule II-11
14	615	Purchased Power-Office Only	\$ -	\$ -	\$ -	Schedule II-4
15	670	Bad Debt expense	\$ -	\$ -	\$ -	Schedule II-12
16	676	Office services & rentals	\$ 6,000.00	\$ -	\$ 6,000.00	Schedule II-13
17	677	Office Supplies & expenses	\$ 7,461.87	\$ -	\$ 7,461.87	Schedule II-14
18	682	Professional Services	\$ 475.00	\$ 1,200.00	\$ 1,675.00	Schedule II-15
19	684	Insurance	\$ 2,545.96	\$ -	\$ 2,545.96	Schedule II-16
20	666	Regulatory (rate case) expense	\$ 226.91	\$ 1,567.00	\$ 1,793.91	Schedule II-17
21	667	Regulatory expense (other)	\$ 175.00	\$ 420.35	\$ 595.35	Schedule II-18
22	675	Miscellaneous Expenses	\$ 7,031.43	\$ -	\$ 7,031.43	Schedule II-19
23		Total admin & general expense	\$ 30,276.38	\$ 10,614.90	\$ 40,891.28	Add Lines 11-22
24		Total operating expenses	\$ 110,297.20	\$ 12,772.91	\$ 123,070.11	Lines 4 + 10 + 23
25	403	Depreciation	\$ 10,526.66	\$ -	\$ 10,526.66	Sch III-3, Col E, Line 50
26	408	Taxes Other than income	\$ 4,368.26	\$ 324.54	\$ 4,692.80	Sch IV(b), Line 8
27	409-410	Income Tax expense	\$ -	\$ 1,802.87	\$ 1,802.87	Schedule V, Line 7
28		TOTAL EXPENSES	\$ 125,192.12	\$ 14,900.32	\$ 140,092.45	
29		TOTAL HISTORIC REVENUE	\$ 118,373.58			Sch I-2, Line 6
30		HISTORICAL TEST YEAR RETURN	\$ (6,818.54)			Line 30 less Line 29
31		REQUESTED RETURN			\$ 11,004.77	Schedule III-1, Line 3
32		TOTAL REVENUE REQUIREMENT			\$ 151,097.22	Line 28 plus Line 31
33		REQUESTED ANNUAL REVENUE INCREASE		(to notice)	\$ 32,723.64	Line 32 less Line 29
34		PERCENTAGE INCREASE			0.22	Line 36 divided by Line 33
35		LESS: OTHER REVENUES			\$ 2,336.58	Sch. II-3(b), Col. D, Line 8
36		REVENUE FOR RATE DESIGN		(to notice)	\$ 148,760.64	Line 33 minus Line 35

ATTACHMENT 4
RCA 000914

Form II-3 Other Revenues & Expenses Passed Through as found in Rio Concho Aviation's Original Application for a Rate Change (PUC 45720-2. p 12)

SCHEDULE II-3 OTHER REV

UTILITY NAME: <u>Rio Concho Aviation, Inc.</u> SCHEDULES - CLASS B RATE/TARIFF CHANGE II-3 OTHER REVENUES & EXPENSES PASSED THROUGH FOR TEST YEAR ENDED: 2015
--

II-3(a) Purchased Water or Other Pass Through Expenses

Line No.	A	B	C	D	D
	Purchased from:	Units purchased (in _____) (e.g. 1,000 gal, AC - FT)	Price Per Unit	Total Calculated Cost (B x C)	Actual Cost paid per financial records
1.	NA	0	0	0	0
2.					
3.					
4.	Total *				

* Must agree with Schedule II-1(a), Line 2, column A, or provide a reconciliation.

II-3(b) Other revenues collected from customers

Line No.	A	B	C	D
	Item passed thru or type of other revenue	Test year historical revenues collected		Test year revenues netted against COS
1.	Tap Fees*	0		0
2.	Late Fees	1290		247.68
3.	Meter Test Fees	0		0
4.	Reconnect Fees	75		0
5.	Purchased Water Fees	0		0
6.	Groundwater Conservation District Fees	674.96		0
7.	Other (attach detail**)	971.58		122.4
8.	Total Other Revenues	3011.54		370.08

(to Sch. I-2, line 5)

(to Sch. I-1, line 35)

* Tap fees should be reported on Sch. III-8-CIAC, Line 1.

** If the utility provides other than residential retail service (wholesale, industrial, etc), provide a work paper with the detail of this account by NARUC sub account number.

Form II-3 Other Revenues & Expenses Passed Through final version of Rio Concho's Rate Application as found in Response to Commission Staff's Fourth Request for Information Questions 4-1 through 4-18 and 4-5f, RCA p 916 (PUC 45720-105 p 84).

UTILITY NAME: RIO CONCHO AVIATION, INC.

SCHEDULES - CLASS C RATE/TARIFF CHANGE

II-3 OTHER REVENUES & EXPENSES PASSED THROUGH

PUC Docket No. 45720

Test Year End: 2015

II-3(a) Purchased Water or Other Pass Through Expenses

Line No.	A	B	C	D	D
	Purchased from:	Units purchased (in _____)	Price per Unit	Total Calculated Cost (B x C)	Actual Cost paid per financial records
1.	N/A				
2.					
3.					
4.	Total				

SCHEDULE II-3(a) IS NOT APPLICABLE

II-3(b) Other revenues collected from customers

Line No.	A	B	C	D
	Item Passed thru or type of other revenue			Test Year revenues netted against COS
1.	Tap Fees	0		
2.	Late Fees	1290		1290
3.	Meter Test Fees	0		0
4.	Reconnect Fees	75		75
5.	Purchased Water Fees	0		0
6.	Groundwater District Fees			0
7.	Other (attach detail)	971.58		971.58
8.	Total Other Revenues	2336.58		2336.58

(to Sch. I-2, line 5) (to Sch. I-1, line 35)

Line 6 not compatible with Sch I-1

Groundwater district \$ 710.93
TCEQ \$ 1,199.10
Total pass thru \$ 1,910.03

~~CONFIDENTIAL~~

STATEMENT PREPARATION DATE: 03-23-2016
REGION: 311

AGENT: JOY ANN CULP
6030 LAKE WORTH BLVD
FORT WORTH TX 76135

NORTH AMERICAN COMPANY FOR LIFE AND HEALTH INSURANCE
P.O. BOX 5088, SIOUX FALLS, SD 57117-5088

STATEMENT OF POLICY COST AND BENEFIT INFORMATION

POLICY DATE: 03-23-2016

POLICY NO.: LB06113003

PAGE: 1

PLANNED PERIODIC PREMIUM: \$500.00 FREQUENCY: MONTHLY

NO LAPSE GUARANTEE PREMIUM: \$111.13 MONTHLY

IMPORTANT NOTICE

This is an illustration only. An illustration is not intended to predict actual performance. Interest rates and values set forth in the illustration are not guaranteed, except for those items that are clearly labeled guaranteed.

Please be aware that any changes to your Policy, including but not limited to planned premium amount, premium mode, premium duration or death benefit amount, do not happen automatically and must be requested by the Owner (regardless of whether those changes are reflected in this illustration). Please contact your agent or North American Company for Life and Health Insurance for information regarding changes to your policy.

The illustrations of future Policy performance shown on page 3 are based on assumed factors that are likely to change over time. Guaranteed performance will change with variations to the frequency, timing and amount of premium payments, Policy Loans, partial Withdrawals and other Policy changes. You should read and study the Policy carefully.

The Projected Policy Values Based on Guaranteed Factors assume the effective annual Guaranteed Interest Rate of 3.00% and the Table of Guaranteed Cost of Insurance Rates shown in the Policy. Assuming the timely payment of the Planned Periodic Premium stated above, these values will improve each year that the interest rate exceeds the interest rate described above and the Cost of Insurance Rates are less than those maximum rates listed in the Policy.

PROJECTED LAPSE DATE: Assuming planned premium payments, the Guaranteed Interest Rate, the Guaranteed Maximum Monthly Cost of Insurance Rates, the guaranteed maximum expense charges, and the guaranteed cost of any additional benefits provided by Riders as shown in the Schedule of Policy Benefits, and that no Policy Loans, Withdrawals, or Policy changes will occur, the Policy will terminate on 03-23-2052. However, it is possible that coverage will expire prior to this date or that no Surrender Value will be available at the time if sufficient premiums are not paid.

The annual percentage rate for any Policy Loan will be determined by the Policy and the applicable law. The guaranteed maximum P page. Current Policy Loan interest rates are subject to change.

Please consult the Policy for definitions of terms used.

9
Life insurance
cost
\$111.13
Pension cost
\$388.87

RCA000128

ATTACHMENT 7

Rio Concho's Last Filed version of their Depreciation Schedule (with error)

(Rio Concho Aviation's Response to Commission Staff's Fourth Request for Information 4-1 through 4-18)

TABLE III.3

[A] Item	[B] Date of Installation	[C] Service Life (yrs)	[D] Original Cost when installed			Depreciation		[G]=[D]-[F] Net Book Value
						[E]=[D]/[C] Annual	[F] Accumulated	
Land	1985	na	\$ 5,148.00	31		n/a		\$ 5,148.00
Wells	1985	50	\$ 8,460.00	31		\$ 169.20	\$ 5,245.20	\$ 3,214.80
Well Pumps								
5hp or less		5				\$		\$
Greater than 5 hp	1985	10		31		\$		\$
Booster Pumps:								
5 hp or less	1/2013	5	\$ 615.79	3		\$ 123.16	\$ 369.47	\$ 246.32
5 hp or less	7/2008	5	\$ 625.83	7	5		\$ 625.83	\$
Greater than 5 hp		10				\$		\$
Chlorinators	8/2011	10	\$ 150.00	4	4	\$ 15.00	\$ 65.00	\$ 85.00
Structures								
Wood	5/1985	15	\$ 4,000.00	31			\$ 4,000.00	\$
Masonry		30				\$		\$
Storage Tanks	5/1985	50	\$ 9,812.79	31		\$ 196.26	\$ 6,083.93	\$ 3,728.86
Pressure Tanks	5/1985	50	\$ 5,900.00	31		\$ 118.00	\$ 3,658.00	\$ 2,242.00
Distribution System (mains and lines)	5/1985	50	\$ 109,219.85	31		\$ 2,184.40	\$ 67,716.31	\$ 41,503.54
Distribution System (mains and lines)	12/2012	50	\$ 1,250.00	3	1	\$ 25.00	\$ 77.08	\$ 1,172.92
Distribution System (mains and lines)	1/2013	50	\$ 1,238.71	2		\$ 24.77	\$ 49.55	\$ 1,189.16
Meters and Service (taps not covered by fees)	5/1985	20	\$ 1,800.00	31			\$ 1,800.00	\$
Office Equipment	1995	10	\$ 4,150.00	21			\$ 4,150.00	\$
Office Equipment (Side Board)	5/2013	10	\$ 487.07	2	7	\$ 48.71	\$ 125.83	\$ 361.24
Office Equipment (Lamps)	7/2013	10	\$ 213.85	2	5	\$ 21.39	\$ 51.68	\$ 162.17
Office (Chairs)	10/2014	10	\$ 475.20	1	2	\$ 47.52	\$ 55.44	\$ 419.76
Office (Television)	11/2014	5	\$ 677.60	1	1	\$ 135.52	\$ 146.81	\$ 530.79
Office (Software)	3/2015	3	\$ 1,494.00	9		\$ 498.00	\$ 373.50	\$ 1,120.50
Office (Computer)	3/2015	3	\$ 756.67	9		\$ 252.22	\$ 189.17	\$ 567.50
Desk and Chair	9/2015	10	\$ 335.47	4		\$ 33.55	\$ 11.18	\$ 324.29
Vehicles	1995	5	\$ 20,000.00	21			\$ 20,000.00	\$
Vehicles (Audi)	1/2015	5	\$ 24,600.00	1		\$ 4,920.00	\$ 4,920.00	\$ 19,680.00
Vehicles (Golf Cart)	9/2014	5	\$ 2,100.00	1	3	\$ 420.00	\$ 525.00	\$ 1,575.00
Shop Tools	1995	15	\$ 400.00	21			\$ 400.00	\$
Shop Tools(Compressor)	2010	5	\$ 376.17	6		\$ 75.23	\$ 451.40	\$
Shop Tools (Dewalt Tool Bag)	2/2013	15	\$ 247.73	2	10	\$ 16.52	\$ 46.79	\$ 200.94
Heavy Equipment		10						\$
Fencing	1985	20		21				\$
			\$ 204,534.73			\$ 9,324.44	\$ 121,137.18	\$ 83,472.78
Other: (Please List) Paving (Listed in 304)	4/2013	5	\$ 6,011.12	2	8	\$ 1,202.22	\$ 3,205.93	\$ 2,805.19
Total			\$ 210,545.85			\$ 10,526.66	\$ 124,343.11	\$ 86,277.97

RCA 000927

ATTACHMENT 8

Rio Concho Aviation Depreciation Schedule (Corrected for their error)

The Ratepayers contest several items below.

A	B	C	D	E		F	G=D-F	
Item	Date of Install	Service Life	Original Cost	Time in Service Yrs	Mo	Depreciation Annual	Accumulated	Net Book Value
Land	1985	N/A	\$5,148.00	31		N/A		\$5,148.00
Wells	1985	50	\$8,460.00	31		\$169.20	\$5,245.20	\$3,214.80
Well Pumps								
< 5 hp		5						
> 5 hp	1985	10						
Booster Pumps								
< 5 hp	1/2013	5	\$615.79	3		\$123.16	\$369.47	\$246.32
> 5 hp	7/2008	5	\$625.83	7	5		\$625.83	
Chlorinators	8/2011	10	\$150.00	4	4	\$15.00	\$65.00	\$85.00
Structures								
Wood	5/1985	15	\$4,000.00	31			\$4,000.00	
Masonry		30						
Storage Tanks	5/1985	50	\$9,812.79	31		\$196.26	\$6,083.93	\$3,728.86
Pressure Tanks	5/1985	50	\$5,900.00	31		\$118.00	\$3,658.00	\$2,242.00
Dist system	5/1985	50	\$109,219.85	31		\$2,184.40	\$67,716.31	\$41,503.54
Dist system	12/2012	50	\$1,250.00	3	1	\$25.00	\$77.08	\$1,172.92
Dist system	1/2013	50	\$1,238.71	2		\$24.77	\$49.55	\$1,189.16
Meters & Service	5/1985	20	\$1,800.00	31			\$1,800.00	
Office Equip	1995	10	\$4,150.00	21			\$4,150.00	
Sideboard	5/2013	10	\$487.07	2	7	\$48.71	\$125.83	\$361.24
Lamps	7/2013	10	\$213.85	2	5	\$21.39	\$51.68	\$162.17
Truck	1995	5	\$20,000.00	21			\$20,000.00	
Shop Tools	1995	15	\$400.00	21			\$400.00	
Compressor	2010	5	\$376.17	6			\$376.17	
Tool Bag	2/2013	15	\$247.73	2	10	\$16.52	\$46.79	\$200.94
Fencing	1985	20		21				
Paving	4/2013	5	\$6,011.12	2	8	\$1,202.22	\$3,205.93	\$2,805.19
chairs	10/2014	10	\$475.20	1	2	\$47.52	\$55.44	\$419.76
Television	11/2014	5	\$677.60	1	1	\$135.52	\$146.81	\$530.79
Software	3/2015	3	\$1,494.00		9	\$498.00	\$373.50	\$1,120.50
Computer	3/2015	3	\$756.67		9	\$252.22	\$189.17	\$567.50
Desk & Chair	9/2015	10	\$335.47		4	\$33.55	\$11.18	\$324.29
Audi Q5	1/2015	5	\$24,600.00	1		\$4,920.00	\$4,920.00	\$19,680.00
Golf Cart	9/2014	5	\$2,100.00	1	3	\$420.00	\$525.00	\$1,575.00
Total			\$210,545.85			\$10,451.43	\$124,267.88	\$86,277.97

ATTACHMENT 9

Rio Concho Aviation Depreciation Schedule As Contested by the Ratepayers

A Item	B Date of Install	C Service Life	D Original Cost	E Time in Service Yrs	F Mo	G Depreciation Annual	H Accumulated	I G=D-F Net Book Value
Land	1985	N/A	\$5,148.00	31		N/A		\$5,148.00
Wells	1985	50	\$8,460.00	31		\$169.20	\$5,245.20	\$3,214.80
Well Pumps								
< 5 hp		5						
> 5 hp	1985	10						
Booster Pumps								
< 5 hp	1/2013	5	\$615.79	3		\$123.16	\$369.47	\$246.32
> 5 hp	7/2008	5	\$625.83	7	5		\$625.83	
Chlorinators	8/2011	10	\$150.00	4	4	\$15.00	\$65.00	\$85.00
Structures								
Wood	5/1985	15	\$4,000.00	31			\$4,000.00	
Masonry		30						
Storage Tanks	5/1985	50	\$9,812.79	31		\$196.26	\$6,083.93	\$3,728.86
Pressure Tanks	5/1985	50	\$5,900.00	31		\$118.00	\$3,658.00	\$2,242.00
Dist system	5/1985	50	\$109,219.85	31		\$2,184.40	\$67,716.31	\$41,503.54
Dist system	12/2012	50	\$1,250.00	3	1	\$25.00	\$77.08	\$1,172.92
Dist system	1/2013	50	\$1,238.71	2		\$24.77	\$49.55	\$1,189.16
Meters & Service	5/1985	20	\$1,800.00	31			\$1,800.00	
Office Equip	1995	10	\$4,150.00	21			\$4,150.00	
Sideboard	5/2013	10	\$487.07	2	7	\$48.71	\$125.83	\$361.24
Lamps	7/2013	10	\$213.85	2	5	\$21.39	\$51.68	\$162.17
Truck	1995	5	\$20,000.00	21			\$20,000.00	
Shop Tools	1995	15	\$400.00	21			\$400.00	
Compressor	2010	5	\$376.17	6			\$376.17	
Tool Bag	2/2013	15	\$247.73	2	10	\$16.52	\$46.79	\$200.94
Fencing	1985	20		21				
Paving	4/2013	5	\$6,011.12	2	8	\$1,202.22	\$3,205.93	\$2,805.19
chairs	10/2014	10	\$475.20	1	2	\$47.52	\$55.44	\$419.76
Television	11/2014	5	\$677.60	1	1	\$135.52	\$146.81	\$530.79
Software	3/2015	3	\$1,494.00		9	\$498.00	\$373.50	\$1,120.50
Computer	3/2015	3	\$756.67		9	\$252.22	\$189.17	\$567.50
Desk & Chair	9/2015	10	\$335.47		4	\$33.55	\$11.18	\$324.29
Audi Q5	1/2015	5	\$24,600.00	1		\$4,920.00	\$4,920.00	\$19,680.00
Golf Cart	9/2014	5	\$2,100.00	1	3	\$420.00	\$525.00	\$1,575.00
Rio Concho Total			\$210,545.85			\$10,451.43	\$124,267.88	\$86,277.97
Ratepayer Protested			-\$52,099.39			-\$6,338.81	-\$28,339.37	-\$23,760.02
Adjusted Total			\$158,446.46			\$4,112.62	\$95,928.51	\$62,517.95

ATTACHMENT 10

Rio Concho Aviation's Response to Commission Staff's Fourth Request for Information Questions 4-1 through 4-18 and 4-5f, RCA p 920 (PUC 45720-105 p 88).

Line 2 does not match Rio Concho's revised, final Depreciation Schedule.

UTILITY NAME: RIO CONCHO AVIATION, INC.			
SCHEDULES - CLASS C RATE/TARIFF CHANGE			
III-2 RATE BASE SUMMARY			
PUC Docket No. 45720		Test Year End:	2015

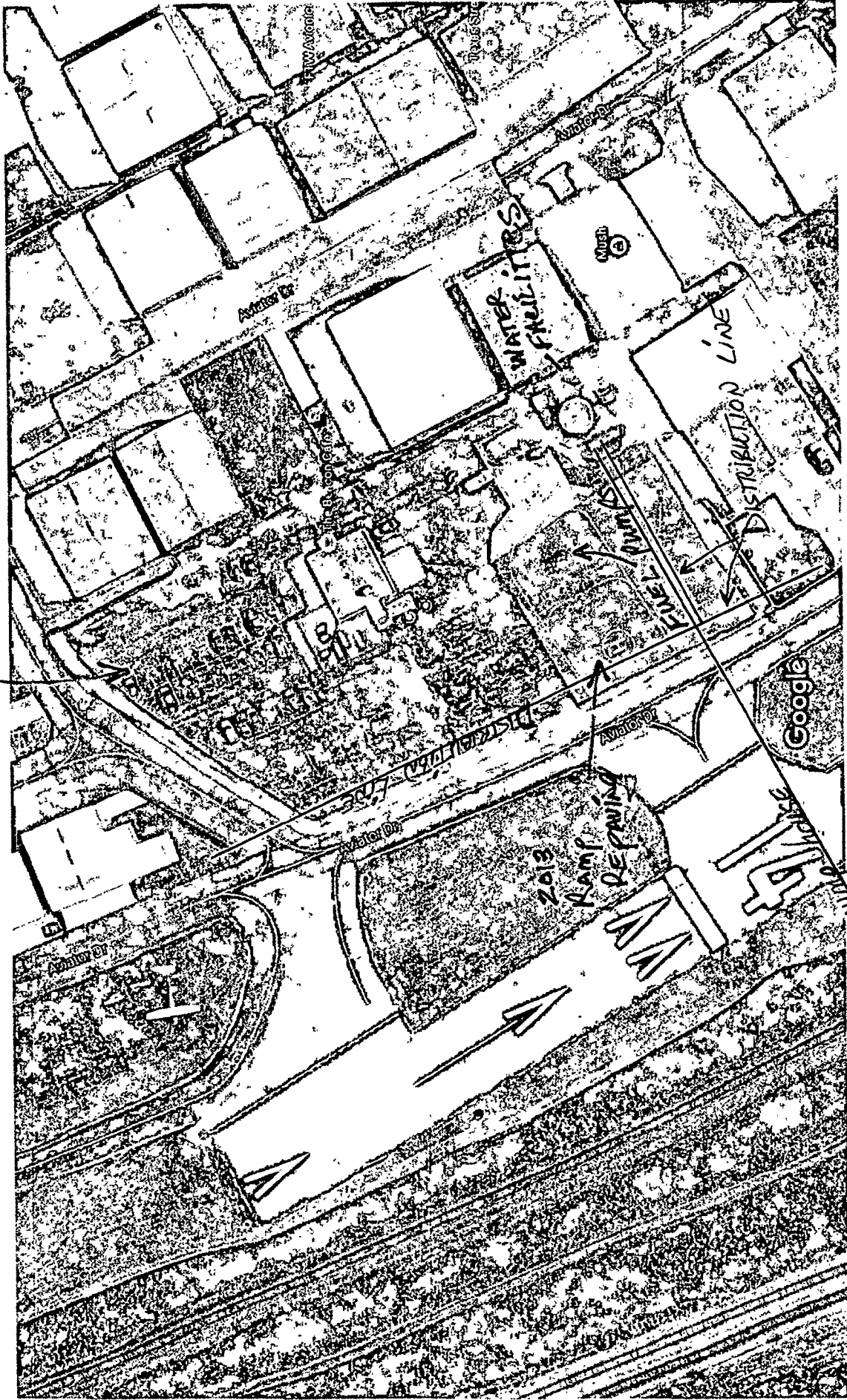
Line No.	Description	Amount	Reference
1.	Additions:		(From)
2.	Utility Plant (Original Cost):	\$ 210,581.85	Schedule III-3, Line 50, Col D
3.	Construction work in progress	\$ -	Schedule III-4, Line 5
4.	Materials and supplies	\$ -	Schedule III-4, Line 8
5.	Working cash (capital)	\$ 15,383.76	Schedule III-5, Line 2
6.	Prepayments	\$ -	Schedule III-4, Line 8
7.	Other Additions	\$ -	Add Schedule
8.	TOTAL ADDITIONS (Add lines 2 thru 6)	\$ 225,965.61	
	DEDUCTIONS:		
9.	Reserve for depreciation (Accumulated)	\$ 124,343.11	Schedule III-3, Line 50, Col F
10.	Advances for construction	\$ -	Schedule III-8(a), Col F Line 6
11.	Developer Contribution in aid of construction	\$ -	Schedule III-8(b), Col G Line 6
12.	Accumulated deferred income taxes	\$ -	Schedule III-9(a), Line 3
13.	Accumulated deferred investment tax credits	\$ -	Schedule III-9(b), Line 3
14.	Other Deductions	\$ -	Add Schedule
15.	TOTAL DEDUCTIONS (Add line 9 thru 14)	\$ 124,343.11	
16.	RATE BASE (Line 8, less Line 15)	\$ 101,622.50	

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ATTACHMENT II
RCA000920

171 AVIATOR DR.

Google Maps



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