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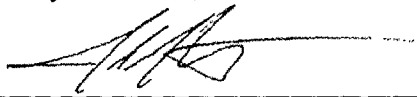
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APPLICATION OF RIO CONCHO § BEFORE THE UTILITY COMMISSION
AVIATION, INC. FOR A § OF THE STATE OFFICE
RATE/TARIFF CHANGE § ADMINISTRATIVE HEARINGS

**RIO CONCHO AVIATION, INC.'S
PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW
AND ORDERING PARAGRAPHS**

COMES NOW, Rio Concho Aviation, Inc. ("Rio Concho") and files this its Proposed Findings of Fact, Conclusions of Law and Ordering Paragraphs.

Respectfully submitted,


By: 
John J. Carlton

John J. Carlton
The Carlton Law Firm P.L.L.C.
2705 Bee Cave Road, Suite 200
Austin, Texas 78746
(512) 614-0901
Fax (512) 900-2855
State Bar No. 03817600

ATTORNEY FOR RIO CONCHO
AVIATION, INC.

CERTIFICATE OF SERVICE

I hereby certify that I have served or will serve a true and correct copy of the foregoing document via hand delivery, facsimile, electronic mail, overnight mail, U.S. mail and/or Certified Mail Return Receipt Requested to all parties on this the 25th day of January, 2017.


John Carlton

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FINDINGS OF FACT

General and Procedural Findings

1. Rio Concho Aviation, Inc. (Rio Concho) holds Water Certificate of Convenience and Necessity (CCN) No. 12835.
2. On March 22, 2016, Rio Concho submitted to the Commission an application for water rate/tariff changes (Application) in Tarrant County, Texas. The application used a test year of January 1, 2015, through December 31, 2015. The Application was declared administratively complete on April 25, 2016.
3. Rio Concho timely and properly provided notice of the proposed rate changes to its ratepayers and affected persons.
4. In the Application, Rio Concho sought to raise its rates to become effective on April 26, 2016.
5. Within sixty days of the effective date of the proposed rate changes at least ten percent of Rio Concho's customers filed protests to the rate changes.
6. On April 25, 2016, the Application was referred to SOAH for a contested case hearing.
7. On June 17, 2016, ALJ Lilo Pomerleau convened a preliminary hearing in this matter in Austin, Texas. The following appeared and were admitted as the parties in this case: Rio Concho; Stephen Grace, Jeff Sheets, Roy Geer and Mike Olson ("Ratepayers"); and Commission Staff.
8. On August 5, 2016, Rio Concho filed its prefiled testimony. Included with Rio Concho's prefiled testimony were amendments to Rio Concho's Application.
9. The Ratepayers prefiled testimony on August 18, 2016, and Commission Staff filed prefiled testimony on September 9, 2016.
10. On September 27, 2016, Rio Concho filed its rebuttal testimony.

11. At the parties' request, ALJ Pomerleau postponed the evidentiary hearing until December 5, 2016. A second day of hearing was held on December 6, 2016.
12. At the parties' request, ALJs Pomerleau and Arnold ordered an agreed suspension of Rio Concho's effective date to January 16, 2017.
13. Rio Concho submitted evidence of its rate case expenses on December 7, 2016.
14. The parties filed initial briefs on January 11, 2017, and responses on January 25, 2017.

Background

15. Rio Concho is a privately owned, retail public utility in the business of providing water service to a population of approximately 240 service connections in a service area within the Hicks Airfield in Tarrant County.
16. Rio Concho is owned by Barbie and Kevin Brunson.
17. Rio Concho's proposed rates, as compared with its previous rates, are as follows:

Monthly Minimum Charge by Meter Size

Previous Rates		Proposed Rates	
Size in inches	Charge	Size in inches	Charge
5/8	\$31.00	5/8	\$39.75

Charges Per 1000 Gallons (G)

Previous Rates		Proposed Rates	
Size in inches	Charge	Size in inches	Charge
5/8 x 3/4	5.50	5/8 x 3/4	7.67

Rate Base

18. Rio Concho's rate base is:

Item	Amount
Original Cost	\$210,581.85
Accumulated Depreciation	<124,343.11>
Net Book Value	\$ 86,238.74
Working Cash Allowance	\$15,383.76
Total Rate Base (Total Invested Capital)	\$101,622.50

Revenue Requirement

19. The following expenses are reasonable and necessary to provide service to the ratepayers:

Category	Amount
Power Expense	3048.19
Other Volume Related Expense	1619.76
Total Volume Related Expense	4667.95
Employee Labor	41,568.12
Materials	3514.60
Contract Work	28456.94
Transportation Expense	3971.22
Total Non-Volume Related Expense	77510.88
Employee Pensions & Benefits	13787.76
Office service & rentals	6000
Office supplies & expenses	7461.87
Professional Services	1512
Insurance	2545.96
Regulatory Expense	595.35
Miscellaneous Expense	7031.43
Total admin & general Expense	\$40,728.28
Total Operating Expenses	\$122,907.11

Affiliated Transaction

20. Rio Concho's \$500 per month rental payment for its office space is an affiliated transaction and is reasonable and necessary. The price paid by Rio Concho is no higher than prices charged by others in the area to unaffiliated persons or corporations

Depreciation Expense

21. Rio Concho's reasonable and necessary annual depreciation expense totals \$10,526.66

Taxes Other than Federal Income Taxes

22. Rio Concho's reasonable and necessary annual property and other non-income taxes total \$4,692.80.

Federal Income Taxes

23. Rio Concho's reasonable and necessary annual federal income taxes total \$ _____

Other Revenues

24. Rio Concho's annual other revenues total \$2,336.58.

Rate of Return

25. Rio Concho's Application listed only one debt: a note in the allocated amount of \$20,217.95 at 3.9% interest.
26. Rio Concho has a capital structure of 80% equity and 20% long-term debt.
27. The return on equity should be calculated using the return on equity formula in the application, which accounts for the risks associated with operating a small water utility.
28. Applying the instructions in the application, including the Baa public utility bond average of 5.49%, a 12.49% rate of return on equity is reasonable.
29. A fair rate of return for Rio Concho to receive on its water-service rate base is 10.83%.

Rate Design

30. The following rate structure will recover Rio Concho's revenue requirement.

Monthly Minimum Charge by Meter Size

Size in inches	Charge
5/8	39.75

Charges Per 1,000 Gallons (G)

Size in inches	Charge
5/8 x 3/4	7.67

Rate Case Expenses

31. Rio Concho incurred rate case expenses in the amount of \$ 107,568.73 through December 6, 2016, as follows:

Firm	Amount
Randal Manus.	\$6,286.70
ValueScope, Inc.	10,005.67
The Carlton Law Firm	88,916.52
Barbie Brunson	1,355.74
Expenses	1004.10
Total	\$107,568.63

32. Rate case expenses in this case were not a normal, recurring expense of Rio Concho's operations.
33. Rio Concho had \$107,568.73 in rate case expenses that are reasonable and necessary.
34. Rio Concho previous rates generated \$116,037 in annual revenue.
35. Rio Concho's proposed rates would have generated \$146,984 in annual revenue.
36. Rio Concho's proposed rates would have increased its annual revenue by \$30,947.
37. Rio Concho's just and reasonable rates as determined by the Commission after this contested case hearing will generate \$146,984 in annual revenue.
38. Rio Concho's just and reasonable rates as determined by the Commission after this contested case hearing will increase its annual revenue by \$30,947.
39. \$15,783 is 51 % of \$30,947.
40. Rio Concho's new rates generate revenue that is more than 51% of the increase in revenue that would have been generated by Rio Concho's proposed rate.

41. It is reasonable and appropriate for Rio Concho to recover its reasonable and necessary rate case expenses as a surcharge of \$18.50 per connection per month over a two-year period.

CONCLUSIONS OF LAW

1. Rio Concho is a retail public utility as defined in Tex. Water Code § 13.002(19).
2. Rio Concho is a "utility" as defined by Tex. Water Code § 13.002(23).
3. Rio Concho bears the burden of proof that its proposed rates are just and reasonable. Tex. Water Code § 13.184(c).
4. Because Rio Concho's Application only seeks to increase rates in areas outside of the boundaries of a municipality, the Commission has exclusive, original jurisdiction to consider an application for a rate increase filed by a water and sewer utility. Tex. Water Code § 13.042(e).
5. All required notices of the Application and the contested case hearing were given as required by law. Tex. Water Code § 13.187; Tex. Gov't Code §§ 2001.051 & 2001.052.
6. The ALJs conducted a contested case hearing and proposed a decision on the application under the authority of chapter 2003 of the Texas Government Code and chapter 13 of the Texas Water Code.
7. Payment to affiliated interests for costs of any services, or any property, right or thing, or for interest expense may not be allowed either as capital cost or as expense except to the extent that the regulatory authority finds that payment to be reasonable and necessary. A finding of reasonableness and necessity must include specific statements setting forth the cost to the affiliate of each item or class of items in question and a finding that the price to the utility is no higher than prices charged by the supplying affiliate to its other affiliates or divisions for the same item or items, or to unaffiliated persons or corporations. Tex. Water Code § 13.185(e).

8. Based on the findings of fact and conclusions of law, the revenue requirement, after being adjusted for the modifications required by this Order, is based on Rio Concho's reasonable and necessary operating expenses.
9. The Commission in setting the rates for water service, must fix a utility's overall revenues at a level that will permit the utility a reasonable opportunity to earn a reasonable return on its invested capital used and useful in rendering service to the public over and above its reasonable and necessary operating expenses and preserve the financial integrity of the utility. Tex. Water Code § 13.183.
10. The cost of capital is the composite of the cost of the various classes of capital used by the utility: (1) debt capital is the actual cost of debt; and (2) equity capital is based upon a fair return on its value. 16 Tex. Admin. Code § 24.31.
11. The Commission must also consider the efforts and achievements of the utility in the conservation of resources, the quality of the utility's services, the efficiency of the utility's operations, and the quality of the utility's management. Tex. Water Code §13.184.
12. Based on the findings of fact and conclusions of law, a rate of return of 10.83% will permit Rio Concho a reasonable opportunity to earn a reasonable return on its invested capital.
13. Based on the findings of fact and conclusions of law, Rio Concho's revenue requirement as determined in the Order is reasonable and necessary and sufficient to permit Rio Concho a reasonable opportunity to earn a reasonable return over and above its reasonable and necessary operating expenses and preserve Rio Concho's financial integrity.
14. Rio Concho cost of service is comprised of two components: allowable expenses and return on invested capital. 16 Tex. Admin. Code § 24.31(a). The term "invested capital" is also referred to as the "rate base."
15. To determine Rio Concho's rate base, the original cost of the assets must be calculated. 16 Tex. Admin. Code § 24.31 (c)(2).
16. Original cost is the actual money cost or the actual money value of any consideration paid, other than money, of the property at the time it shall have been dedicated to public use,

whether by the utility that is the present owner or by a predecessor, less depreciation. Tex. Water Code § 13.185(b).

17. Based on the findings of fact and conclusions of law, Rio Concho met its burden of proof that its proposed rate base complied with Tex. Water Code § 13.185 and 16 Tex. Admin. Code § 24.31.
18. Based on the above findings of fact and conclusions of law, the rate base determined in this Order complies with Tex. Water Code § 13.185 and 16 Tex. Admin. Code § 24.31.
19. A utility may recover rate case expenses, including attorney fees, included as a result of a rate change application only if the expenses are reasonable, necessary, and in the public interest. 16 Tex. Admin. Code § 24.33.
20. Based on the findings of fact and conclusions of law, Rio Concho's reasonable and necessary rate case expenses of \$107,568.73 are in the public interest.
21. A utility may not recover any rate case expenses if the increase in revenue generated by the just and reasonable rate determined by the Commission after a contested case hearing is less than 51 % of the increase in revenue that would have been generated by a utility's proposed rate. 16 Tex. Admin. Code § 24.33.
22. Based on the findings of fact and conclusions of law, Rio Concho may recover its rate case expenses because the just and reasonable rate determined by the Commission in this contested case is more than 51% of the increase in revenue that would have been generated by Rio Concho's proposed rate.

NOW, THEREFORE, BE IT ORDERED BY THE PUBLIC UTILITY COMMISSOIN OF TEXAS THAT:

1. Rio Concho Aviation, Inc.'s application for water rate/tariff changes is granted as modified by, and to the extent set forth in, the Findings of Fact and Conclusions of Law.

2. The request of Rio Concho Aviation, Inc. to apply a surcharge to recover rate case expenses in the amount of \$107,568.73, to be recovered as a monthly surcharge of \$18.50 to each water customer over a two-year period, is approved.
3. Rio Concho Aviation, Inc. shall file a tariff reflecting the rates approved by the Commission within 10 days of the date of this Order.
4. The effective date of this Order is the date the Order is final, as provided by Tex. Gov't Code § 2001.144.
5. All other motions, requests for entry of specific Findings of Fact or Conclusions of Law, and any other requests for general or specific relief not expressly granted herein, are hereby denied for want of merit.
6. If any provision, sentence, clause, or phase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.