



Control Number: 45720



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**PUBLIC UTILITY COMMISSION OF TEXAS**

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PUBLIC UTILITY COMMISSION  
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**Memorandum**

**TO:** Stephen Journeay, Commission Advising and Docket Management

**FROM:** Tammy Benter, Rate Regulation  
Water Utility Regulation Division

**RE:** **Docket No. 45720**—*Application of Rio Concho Aviation, Inc. a Rate/Tariff Change*  
  
Commission Number Runs-Based on May 4, 2017 Open Meeting Discussion

**DATE:** **May 12, 2017**

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Please find attached to this memo the updated schedules for Rio Concho Aviation, Inc. (Rio Concho) as requested in the number-running instructions contained in your memo dated May 4, 2017. Also attached are two sets of Staff memos with associated schedules reflecting adjustments made by Staff to carry out the instructions. No rate design schedule is attached because the rates are based on the simple calculations included in the memo from Staff Engineering Specialist, Elizabeth English.

The schedules include the following for each of the two number runs:

Schedule I – Revenue Requirement  
Schedule I(a) – Operations & Maintenance  
Schedule I(b)-Other Taxes  
Schedule I(c) – Federal Income Taxes  
Schedule I(e) – Invested Capital & Return

As described in the attached memo of Staff Financial Analyst, Debi Loockerman, the Commission's adjustments result the following:

- First Number Run: a revenue requirement (less other revenues) of \$114,492, which is a decrease of \$34,269 from Rio Concho's *requested* revenue requirement (less other revenues) of \$148,761; and,
- Second Number run: a revenue requirement (less other revenues) of \$106,991, which is a decrease of \$41,770 from Rio Concho's requested revenue requirement (less other revenues) of \$148,761.

Please let me know if you have any questions.

# PUBLIC UTILITY COMMISSION OF TEXAS

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## Memorandum

**To:** Tammy Benter, Water Utility Regulation Division

**From:** Elisabeth English, Engineering Specialist  
Water Utility Regulation Division

**Date:** May 12, 2017

**Subject:** **PUC Docket No. 45720, SOAH Docket No. 473-16-3831.WS, Application of Rio Concho Aviation, Inc. For Rate/Tariff Change.**

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### First Number Run

On May 4, 2017, Commission Advising issued a memorandum requesting two additional number runs to reflect the discussion of the Commission at the May 4, 2017, open meeting. Number-running Staff has reviewed the bulleted items in the Commission Advising memorandum.

In calculating the rate design, I used the number of connections at the end of the test year, the amount of water billed in the test year, and the revenue requirement provided to me by Mrs. Loockerman following the adjustments requested in the Commission Advising memorandum. The revenue requirement was \$114,492. The methodology reflects a 73/27 percent fixed and variable design (\$83,579 and \$30,913). The calculation for the base rate or minimum bill is \$83,579 divided by 240 connections divided by twelve months, or \$29.02. The gallonage rate is \$30,913 divided by 4,662,000 gallons divided by 1,000 gallons, or \$6.63.

Minimum Bill including zero gallons		Gallonage Rates per 1,000 gallons	
Meter Size	Rate		
5/8"	\$29.02		\$6.63

# PUBLIC UTILITY COMMISSION OF TEXAS

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## Memorandum

**TO:** Tammy Benter, Water Utility Regulation Division

**FROM:** Debi Loockerman  
Water Utility Regulation Division

**DATE:** May 12, 2017

**RE:** **Docket No. 45720**—*Application of Rio Concho Aviation, Inc. a Rate/Tariff Change*

### **First Number Run**

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On May 4, 2017, Commission Advising issued a memorandum requesting two number runs to reflect the discussion of the Commission at the May 4, 2017 open meeting. The first number run is to include all the Commission adjustments, including the total number, including known and measurable changes of the Employee Pensions and Benefits. The second number run is to include only the test year total for Employee Pensions and Benefits. Number-running Staff has reviewed the bulleted items in the Commission Advising memorandum and this memo reflects the first request.

The revised number running includes the following changes:

1. An increase to Contract Labor to include meter reading expense of \$2,130;
2. An adjustment to Transportation expense to reflect staff's recommended decrease of \$1,108, and adjustment to venue requirement (an increase of \$956 to the ALJ's final number);
3. An increase to Office Services & Rentals of \$6,000 for office rent;
4. An increase to Employee Pensions & Benefits of \$13,788;
5. An increase to Miscellaneous expense of \$180 reflecting the Audit Connect expense. The flow-through effects of the adjustments and corrections consistent with the Commission's discussion have been included and can be seen in the revised revenue requirement.
6. The flow-through effects and corrections are found working cash allowance (cash working capital) and consequently return on invested capital, and, federal income tax.

The first Commission number run reflects a total Rio Concho revenue requirement after reduction of other revenues collected of \$114,492 which represents an increase of \$23,282 to the March 23, 2017 ALJ PFD as shown below.

	<u>Commission</u>	<u>ALJ PFD</u>	<u>Difference</u>
O&M Commission Changes:			
Contract Labor	\$13,850	\$11,720	\$2,130
Transportation	\$2,863	\$1,907	\$956
Office Services & Rentals	\$6,000	\$0	\$6,000
Employee Pensions & Benefits	\$13,788	\$0	\$13,788
Miscellaneous Expense	\$3,927	\$3,747	\$180
Operations and Maintenance	\$102,149	\$79,095	\$23,054
Depreciation & Amortization	\$4,151	\$4,151	\$0
Other Taxes	\$4,693	\$4,693	\$0
Return on Invested Capital	\$5,078	\$4,884	\$194
Federal Income Tax	\$757	\$723	\$34
Total Revenue Requirement	\$116,828	\$93,546	\$23,282
Other Revenues	(\$2,336)	(\$2,336)	\$0
Recoverable from rate design	\$114,492	\$91,210	\$23,282

Public Utility Commission of Texas  
Rio Concho Aviation  
SOAH Docket No. 473-16-3831.WS  
PUC Docket No. 45720  
Test Year from 1/1/2015 to 12/31/2015

COMMISSION FIRST NUMBER RUN, MAY 2017  
Includes all Rio Concho's requested benefits

**SCHEDULE I - REVENUE REQUIREMENT**

	TEST PERIOD PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	COMMISSION ADJUST (d)	COMMISSION TEST YEAR (e)=(c)+(d)
Operations and Maintenance	\$110,297	\$12,773	\$123,070	\$ (20,921)	\$102,149
Depreciation and Amortization	\$ 10,527		\$ 10,527	\$ (6,376)	\$ 4,151
Other Taxes	\$ 4,368	\$ 325	\$ 4,693	\$ -	\$ 4,693
Federal Income Taxes		\$ 1,803	\$ 1,803	\$ (1,046)	\$ 757
Return	\$ (9,155)	\$ 20,159	\$ 11,004	\$ (5,926)	\$ 5,078
Revenue Requirement	\$ 116,037	\$ 35,060	\$ 151,097	\$ (34,269)	\$ 116,828
Other Revenues- Taps, Recon, late fee, Etc.	\$ (3,012)	\$ 676	\$ (2,336)	\$ -	\$ (2,336)
Base Rate Revenue	\$ 113,025	\$ 35,736	\$ 148,761	\$ (34,269)	\$ 114,492
Base Rate Revenue Deficiency			\$ -		\$ 1,467

Public Utility Commission of Texas  
Rio Concho Aviation  
SOAH Docket No. 473-16-3831.WS  
PUC Docket No. 45720  
Test Year from 1/1/2015 to 12/31/2015

COMMISSION FIRST NUMBER RUN, MAY 2017  
Includes all Rio Concho's requested benefits

**SCHEDULE I(a) - OPERATIONS & MAINTENANCE**

	TEST PERIOD PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	COMMISSION ADJUST (d)	COMMISSION TEST YEAR (e)=(c)+(d)
PURCHASED WATER	0	0	0		0
POWER EXP-PRODUCTION ONLY	3,048		3,048		3,048
OTHER VOLUME RELATED EXP	1,620		1,620		1,620
EMPLOYEE LABOR	41,568		41,568		41,568
MATERIALS	3,515		3,515		3,515
CONTRACT WORK	26,987	1,470	28,457	\$ (14,607)	13,850
TRANSPORTATION EXPENSES	3,283	688	3,971	\$ (1,108)	2,863
OTHER PLANT MAINTENANCE	0		0		0
OFFICE SALARIES			0		0
MANAGEMENT SALARIES			0		0
EMPLOYEE PENSIONS & BENEFITS	6,360	7,428	13,788	\$ -	13,788
PURCHASED POWER-OFFICE ONLY			0		0
BAD DEBT EXPENSE			0		0
OFFICE SERVICES & RENTALS	6,000		6,000	\$ -	6,000
OFFICE SUPPLIES & EXPENSES	7,462		7,462	\$ (45)	7,417
PROFESSIONAL SERVICES	475	1,200	1,675	\$ (163)	1,512
INSURANCE	2,546		2,546	\$ (100)	2,446
REGULATORY EXP (RATE CASE)	227	1,567	1,794	\$ (1,794)	0
REGULATORY EXPENSE (OTHER)	175	420	595		595
MISCELLANEOUS	7,031		7,031	\$ (3,104)	3,927
<b>TOTAL</b>	<b>110,297</b>	<b>12,773</b>	<b>123,070</b>	<b>\$ (20,921)</b>	<b>102,149</b>

**SCHEDULE I(b) - OTHER TAXES**

	TEST YEAR PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	STAFF ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
AD VALOREM TAXES			\$ -		\$ -
PAYROLL TAXES			\$ -		\$ -
OTHER TAXES-MISC	\$ 4,368	\$ 325	\$ 4,693		\$ 4,693
NON-REVENUE RELATED	\$ 4,368	\$ 325	\$ 4,693	\$ -	\$ 4,693
TWC ASSESSMENT			\$ -		\$ -
REVENUE RELATED TAXES	\$ -	\$ -	\$ -		\$ -
<b>TOTAL OTHER TAXES</b>	<b>\$ 4,368</b>	<b>\$ 325</b>	<b>\$ 4,693</b>	<b>\$ -</b>	<b>\$ 4,693</b>

**SCHEDULE I(c) - FEDERAL INCOME TAXES**

REVENUE REQUIREMENT	\$ 116,828		\$ 116,828
LESS:			
OPERATIONS AND MAINTENANCE	\$ (102,149)		\$ (102,149)
DEPRECIATION & AMORTIZATION	\$ (4,151)		\$ (4,151)
OTHER TAXES	\$ (4,693)		\$ (4,693)
INTEREST EXPENSE	\$ (789)		\$ (789)
TAXABLE INCOME	\$ 5,046		\$ 5,046
TAXES @ FACTOR	15%		15%
SUB-TOTAL	\$ 757		\$ 757
LESS:			
SURTAX EXEMPTION	\$ -		\$ -
FEDERAL INCOME TAXES	\$ 757		\$ 757

Public Utility Commission of Texas  
 Rio Concho Aviation  
 SOAH Docket No. 473-16-3831.WS  
 PUC Docket No. 45720  
 Test Year from 1/1/2015 to 12/31/2015

COMMISSION FIRST NUMBER RUN, MAY 2017  
 Includes all Rio Concho's requested benefits

**SCHEDULE I(e) - INVESTED CAPITAL & RETURN**

	COMPANY AMOUNT (a)	COMMISSION ADJUST (b)=(c)-(a)	COMMISSION AMOUNT (c)
PLANT IN SERVICE	\$ 210,582	\$ (32,465)	\$ 178,117
ACCUMULATED DEPRECIATION	\$ 124,268	\$ (8,506)	\$ 115,762
DCIAC			\$ -
NET PLANT	\$ 86,314	\$ (23,959)	\$ 62,355
WORKING CASH ALLOWANCE	\$ 15,467	\$ (2,698)	\$ 12,769
MATERIALS AND SUPPLIES	\$ -	\$ -	
CUSTOMERS DEPOSITS		\$ -	
INVESTMENT TAX CREDITS		\$ -	
TOTAL INVESTED CAPITAL	\$ 101,781	\$ (26,657)	\$ 75,124
RATE OF RETURN	10.81%	-4.05%	6.76%
RETURN	\$ 11,004	\$ (5,926)	\$ 5,078



# PUBLIC UTILITY COMMISSION OF TEXAS

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## Memorandum

**To:** Tammy Benter, Water Utility Regulation Division

**From:** Elisabeth English, Engineering Specialist  
Water Utility Regulation Division

**Date:** May 12, 2017

**Subject:** **PUC Docket No. 45720, SOAH Docket No. 473-16-3831.WS, Application of Rio Concho Aviation, Inc. For Rate/Tariff Change,**

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### Second Number Run

On May 4, 2017, Commission Advising issued a memorandum requesting two additional number runs to reflect the discussion of the Commission at the May 4, 2017, open meeting. Number-running Staff has reviewed the bulleted items in the Commission Advising memorandum.

In calculating the rate design, I used the number of connections at the end of the test year, the amount of water billed in the test year, and the revenue requirement provided to me by Mrs. Loockerman following the adjustments requested in the Commission Advising memorandum. The revenue requirement was \$106,991. The methodology reflects a 73/27 percent fixed and variable design (\$78,104 and \$28,887). The calculation for the base rate or minimum bill is \$78,104 divided by 240 connections divided by twelve months, or \$27.12. The gallonage rate is \$28,887 divided by 4,662,000 gallons divided by 1,000 gallons; or \$6.20.

Minimum Bill including zero gallons		Gallonage Rates per 1,000 gallons	
Meter Size	Rate		
5/8"	\$27.12		\$6.20

# PUBLIC UTILITY COMMISSION OF TEXAS

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## Memorandum

**TO:** Tammy Benter, Water Utility Regulation Division

**FROM:** Debi Loockerman  
Water Utility Regulation Division

**DATE:** May 12, 2017

**RE:** **Docket No. 45720**—*Application of Rio Concho Aviation, Inc. a Rate/Tariff Change*

### **Second Number Run**

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On May 4, 2017, Commission Advising issued a memorandum requesting two number runs to reflect the discussion of the Commission at the May 4, 2017 open meeting. The first number run is to include all the Commission adjustments, including the total number, including known and measurable changes of the Employee Pensions and Benefits. The second number run is to include only the test year total for Employee Pensions and Benefits. Number-running Staff has reviewed the bulleted items in the Commission Advising memorandum and this memo reflects the first request.

The revised number running includes the following changes:

1. An increase to Contract Labor to include meter reading expense of \$2,130;
2. An adjustment to Transportation expense to reflect staff's recommended decrease of \$1,108, and adjustment to venue requirement (an increase of \$956 to the ALJ's final number);
3. An increase to Office Services & Rentals of \$6,000 for office rent;
4. An increase to Employee Pensions & Benefits of \$6,360;
5. An increase to Miscellaneous expense of \$180 reflecting the Audit Connect expense. The flow-through effects of the adjustments and corrections consistent with the Commission's discussion have been included and can be seen in the revised revenue requirement.
6. The flow-through effects and corrections are found working cash allowance (cash working capital) and consequently return on invested capital, and, federal income tax.

The Commission number run reflects a total Rio Concho revenue requirement after reduction of other revenues collected of \$106,991 which represents an increase of \$15,781 to the March 23, 2017 ALJ-PFD as shown below.

	<u>Commission</u>	<u>ALJ PFD</u>	<u>Difference</u>
O&M Commission Changes:			
Contract Labor	\$13,850	\$11,720	\$2,130
Transportation	\$2,863	\$1,907	\$956
Office Services & Rentals	\$6,000	\$0	\$6,000
Employee Pensions & Benefits	\$6,360	\$0	\$6,360
Miscellaneous Expense	\$3,927	\$3,747	\$180
Operations and Maintenance	\$94,721	\$79,095	\$15,626
Depreciation & Amortization	\$4,151	\$4,151	\$0
Other Taxes	\$4,693	\$4,693	\$0
Return on Invested Capital	\$5,016	\$4,884	\$132
Federal Income Tax	\$746	\$723	\$23
Total Revenue Requirement	\$109,327	\$93,546	\$15,781
Other Revenues	(\$2,336)	(\$2,336)	\$0
Recoverable from rate design	\$106,991	\$91,210	\$15,781

Public Utility Commission of Texas  
 Rio Concho Aviation  
 SOAH Docket No. 473-16-3831.WS  
 PUC Docket No. 45720  
 Test Year from 1/1/2015 to 12/31/2015

COMMISSION SECOND NUMBER RUN, MAY 2017  
 Includes Rio Concho's test year benefits without K&M

**SCHEDULE I - REVENUE REQUIREMENT**

	TEST PERIOD PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	COMMISSION ADJUST (d)	COMMISSION TEST YEAR (e)=(c)+(d)
Operations and Maintenance	\$ 110,297	\$ 12,773	\$ 123,070	\$ (28,349)	\$ 94,721
Depreciation and Amortization	\$ 10,527		\$ 10,527	\$ (6,376)	\$ 4,151
Other Taxes	\$ 4,368	\$ 325	\$ 4,693	\$ -	\$ 4,693
Federal Income Taxes		\$ 1,798	\$ 1,803	\$ (1,057)	\$ 746
Return	\$ (9,155)	\$ 20,159	\$ 11,004	\$ (5,988)	\$ 5,016
Revenue Requirement	\$ 116,037	\$ 35,055	\$ 151,097	\$ (41,770)	\$ 109,327
Other Revenues- Taps, Recon, late fee, Etc	\$ (3,012)	\$ (2,642)	\$ (2,336)	\$ -	\$ (2,336)
Base Rate Revenue	\$ 113,025	\$ 32,413	\$ 148,761	\$ (41,770)	\$ 106,991
Base Rate Revenue Deficiency			\$ -		\$ (6,034)

Public Utility Commission of Texas  
Rio Concho Aviation  
SOAH Docket No. 473-16-3831.WS  
PUC Docket No. 45720  
Test Year from 1/1/2015 to 12/31/2015

COMMISSION SECOND NUMBER RUN, MAY 2015  
Includes Rio Concho's test year benefits without K&M

**SCHEDULE 1(a) - OPERATIONS & MAINTENANCE**

	TEST PERIOD PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	COMMISSION ADJUST (d)	COMMISSION TEST YEAR (e)=(c)+(d)
PURCHASED WATER	\$ -	\$ -	\$ -		\$ -
POWER EXP-PRODUCTION ONLY	\$ 3,048		\$ 3,048		\$ 3,048
OTHER VOLUME RELATED EXP	\$ 1,620		\$ 1,620		\$ 1,620
EMPLOYEE LABOR	\$ 41,568		\$ 41,568		\$ 41,568
MATERIALS	\$ 3,515		\$ 3,515		\$ 3,515
CONTRACT WORK	\$ 26,987	\$ 1,470	\$ 28,457	\$ (14,607)	\$ 13,850
TRANSPORTATION EXPENSES	\$ 3,283	\$ 688	\$ 3,971	\$ (1,108)	\$ 2,863
OTHER PLANT MAINTENANCE	\$ -		\$ -		\$ -
OFFICE SALARIES			\$ -		\$ -
MANAGEMENT SALARIES			\$ -		\$ -
EMPLOYEE PENSIONS & BENEFITS	\$ 6,360	\$ 7,428	\$ 13,788	\$ (7,428)	\$ 6,360
PURCHASED POWER-OFFICE ONLY			\$ -		\$ -
BAD DEBT EXPENSE			\$ -		\$ -
OFFICE SERVICES & RENTALS	\$ 6,000		\$ 6,000	\$ -	\$ 6,000
OFFICE SUPPLIES & EXPENSES	\$ 7,462		\$ 7,462	\$ (45)	\$ 7,417
PROFESSIONAL SERVICES	\$ 475	\$ 1,200	\$ 1,675	\$ (163)	\$ 1,513
INSURANCE	\$ 2,546		\$ 2,546	\$ (100)	\$ 2,446
REGULATORY EXP (RATE CASE)	\$ 227	\$ 1,567	\$ 1,794	\$ (1,794)	\$ -
REGULATORY EXPENSE (OTHER)	\$ 175	\$ 420	\$ 595		\$ 595
MISCELLANEOUS	\$ 7,031		\$ 7,031	\$ (3,104)	\$ 3,927
<b>TOTAL</b>	<b>\$ 110,297</b>	<b>\$ 12,773</b>	<b>\$ 123,070</b>	<b>\$ (28,349)</b>	<b>\$ 94,721</b>

**SCHEDULE 1(b) - OTHER TAXES**

	TEST YEAR PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	STAFF ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
AD VALOREM TAXES			0		0
PAYROLL TAXES			\$ -		\$ -
OTHER TAXES-MISC	\$ 4,368	\$ 325	\$ 4,693		\$ 4,693
NON-REVENUE RELATED	\$ 4,368	\$ 325	\$ 4,693	\$ -	\$ 4,693
TWC ASSESSMENT			\$ -		\$ -
REVENUE RELATED TAXES	\$ -	\$ -	\$ -		\$ -
<b>TOTAL OTHER TAXES</b>	<b>\$ 4,368</b>	<b>\$ 325</b>	<b>\$ 4,693</b>	<b>\$ -</b>	<b>\$ 4,693</b>

**SCHEDULE 1(c) - FEDERAL INCOME TAXES**

REVENUE REQUIREMENT	\$ 109,327		\$ 109,327
LESS:			
OPERATIONS AND MAINTENANCE	\$ (94,721)		\$ (94,721)
DEPRECIATION & AMORTIZATION	\$ (5,197)		\$ (5,197)
OTHER TAXES	\$ (4,693)		\$ (4,693)
INTEREST EXPENSE	\$ (789)		\$ (789)
TAXABLE INCOME	\$ 3,928		\$ 3,928
TAXES @ FACTOR	15%		15%
SUB-TOTAL	\$ 589		\$ 589
LESS:			\$ -
SURTAX EXEMPTION :	\$ -		\$ -
FEDERAL INCOME TAXES	\$ 589		\$ 589

Public Utility Commission of Texas  
 Rio Concho Aviation  
 SOAH Docket No. 473-16-3831.WS  
 PUC Docket No. 45720  
 Test Year from 1/1/2015 to 12/31/2015

COMMISSION SECOND NUMBER RUN, MAY 2017  
 Includes Rio Concho's test year benefits without K&M

**SCHEDULE I(e) - INVESTED CAPITAL & RETURN**

	COMPANY AMOUNT (a)	COMMISSION ADJUST (b)=(c)-(a)	COMMISSION AMOUNT (c)
PLANT IN SERVICE	\$ 210,582	\$ (32,465)	\$ 178,117
ACCUMULATED DEPRECIATION	\$ 124,268	\$ (8,506)	\$ 115,762
DCIAC			\$ -
NET PLANT	\$ 86,314	\$ (23,959)	\$ 62,355
WORKING CASH ALLOWANCE	\$ 15,467	\$ (3,627)	\$ 11,840
MATERIALS AND SUPPLIES	\$ -	\$ -	
CUSTOMERS DEPOSITS		\$ -	
INVESTMENT TAX CREDITS		\$ -	
TOTAL INVESTED CAPITAL	\$ 101,781	\$ (27,586)	\$ 74,195
RATE OF RETURN	10.81%	-4.05%	6.76%
RETURN	\$ 11,004	\$ (5,988)	\$ 5,016