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P.U.C. Docket No. 45720

SOAH DOCKET No. 473-16-3831.WS

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

BEFORE THE PUBLIC
UTILITY COMMISSION
OF TEXAS

**RATEPAYERS RESPONSE TO RIO CONCHO'S MOTION FOR REHEARING
SUBMITTED BY
STEVE GRACE & JEFF SHEETS**

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

BACKGROUND

On June 16, 2017, Rio Concho Aviation, Inc (RCA) filed a motion for a Rehearing in order to address a missing expense dealing with the Northern Trinity Groundwater Conservation District (NTGCD) pass through fee. This has the effect of changing the rate structure computed by the PUC staff and implemented by the Commission.

RATEPAYERS RESPONSE TO MOTION

The Ratepayers are somewhat confused as to why the NTGCD pass through fee has any effect on the rate structure. We define the rate structure as the base rate and gallonage charge as set by the Commission. If the fee to NTGCD is passed thru to Rio Concho's water customers, then X dollars paid to NTGCD is also paid as an additional fee monthly on the water customers bills completely separate from the base rate and gallonage charges to be implemented by Rio Concho. We realize it's a fee outside of the rate structure and have no objection to it being added to our water bill as it has in the past. However, we see no reason to change the rate structure as set by the Commission in base and gallonage charges.

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The NTGCD fee is currently \$0.125 per 1000 gallons. The average Rio Concho water customer has a NTGCD pass through fee of less than \$0.25/month. Due to the NTGCD formula, water lost is allowed to be included up to 15%. Thus, for Rio Concho's test year of 2015, they billed 4,662 (x 1000) gallons of water. The pass thru fee paid by Rio Concho, according to the NTGCD formula, would amount to approximately \$685 per year, an equal amount that's paid by the water customers as a pass through fee. Other than handling the pass through fee, no revenue goes to Rio Concho. It is outside the rate structure (base and gallonage costs).

THE RATEPAYER'S REQUEST

The Ratepayers have no objection to Rio Concho's motion if limited to this one item. We do object if Rio Concho is using this to re-open more than the NTGCD item. However, if the rate structure might change, we would like to include a correction to the PUC's calculations regarding Rio Concho's Depreciation schedule which was used in the calculations submitted by the Staff to the Commission judges. The Ratepayers noted those depreciation errors several times during this rate case. This is not new information nor evidence as we will explain below. We have no issues with Rio Concho being compensated correctly to include the NTGCD pass through fees, but would like the correct starting point to be used in those calculations.

EVIDENCE OF DEPRECIATION SCHEDULE ERRORS

The Ratepayers Initial Brief¹ noted four different figures for Rio Concho's annual depreciation. Our Initial Brief provided their incorrect depreciation schedule as our attachment 8, and our corrected version of their depreciation schedule as our attachment 9 to our Initial Brief. Our attachment 11 showed another incorrect figure Rio Concho used in line 2 for their depreciation schedule as it did not match their other documents.

Rio Concho admitted to this error in the Dec 5th hearing when it was pointed out that on the 5th line up from the bottom of the depreciation schedule Shop Tools (Compressor)² had an annual depreciation figure and accumulated figure (\$451.40) that exceeded the original cost (\$376.17) of the compressor. Thus, there were two errors in the Annual Depreciation total and the Accumulated Depreciation total of their schedule. Further, according to the formula at the top of this page, Original Cost minus Accumulated Depreciation did not equal Net Book Value on their submission. The Ratepayers corrected those errors in our Attachment 9. Rio Concho's corrected Depreciation Schedule should have been \$210,545.85 as Original Cost, \$10,451.43 as Annual Depreciation, \$124,267.88 as Accumulated Depreciation, and \$86,277.97 as Net Book Value. These corrections were hand-written by the ALJ's, the PUC Staff, and the Ratepayers in the Dec 5th hearing and presented in our Initial Brief.³

Rio Concho's Initial Brief referenced their original submission for depreciation even though they knew it was in error as a result of the Dec 5th Hearing. They referenced an annual depreciation figure of \$10,526.66, which included their uncorrected error for the compressor.

¹ Ratepayer's Initial Brief p 12 lines 4-29, Attachments 8, 9, 11

² Dec 5 PUC Hearing, testimony of Randy Munson

³ Ratepayer's Initial Brief attachment 9

The Ratepayers Reply Brief again pointed out this error and referenced the corrected \$10,451.43 figure.⁴

At no time during the PUC Hearing on Dec 5th, nor in the Ratepayer's Initial Brief, nor the Ratepayer's Reply Brief, did Rio Concho argue that the Ratepayers were incorrect.

The Ratepayers Response to Exceptions to PFD⁵ again noted four different annual depreciation figures submitted by Rio Concho which obviously confused us, the PUC Staff, and the ALJ's.

WHAT NUMBERS DID THE ALJ'S USE?

The ALJ's Proposal for Decision (PFD) used a Rio Concho original cost figure of \$210,581.85. That figure was \$36 higher than the Ratepayer's figure. We hunted and finally found the discrepancy. Rio Concho transposed the cost of land using \$5148 in one instance and \$5184 in another instance. Using the higher \$5184 figure does validate the PFD figure for original cost.

The Ratepayers are happy to use the higher figure however, Land has no annual depreciation nor accumulated depreciation. Thus, the annual depreciation and accumulated depreciation remain the same as the Ratepayers established in their attachment 9. That annual depreciation is \$10,451.43.

WHAT DID THE ALJ'S PFD STRIKE FROM THE DEPRECIATION SCHEDULE?

The PFD struck the following items:

Sideboard \$487.07

Lamps \$213.85

Paving \$6011.12

Chairs \$475.20

Television \$677.60

Desk & Chair \$335.47

Audi Q5 \$24,600.00

This reduction totals \$32,464.84 from the Original Cost \$210,581.85 which equals \$178,117.01 as found in the PFD.⁶

These same adjustments reduced the annual depreciation by \$6375.36 and the Accumulated depreciation by \$8505.69. (The PFD added the \$75 correction into our figure to arrive at the proper accumulated total of \$115,762.)⁷

Thus, if using the correct annual depreciation figure of \$10,451.43 minus \$6375.36 reduction, results in an annual depreciation figure of \$4076.07. However, this corrected, reduced figure was not

⁴ Ratepayer's Reply Brief p 11

⁵ Ratepayer's Response to Exceptions to PFD, p 9, 12

⁶ Proposal for Decision p 53

⁷ Proposal for Decision p 54

contained within the PFD. The Ratepayers had no ability to protest/correct an error not specified within the PFD. Had the PFD contained any figure for annual depreciation other than the correct figure, the Ratepayers would have included that figure in its exceptions.

The Ratepayers have included an attachment to this document detailing these figures.

DID THE RATEPAYERS INCLUDE THESE CORRECTIONS IN THE EXCEPTIONS TO THE PFD?

The Ratepayers could not correct a figure that the ALJ's did not calculate. Nowhere in the PFD can we find any figure specifying the annual depreciation. The ALJ's did not include this figure in the PFD, thus the Ratepayers could not protest nor correct something not contained within it.

COMMISSION NUMBER RUNS-BASED ON MAY 4, 2017 OPEN MEETING DISCUSSION

Elisabeth English of the Water Utility Regulation Division authored two number runs for the Commission. In the first run, Ms English subtracted the correct annual depreciation reduction of \$6375.36 from the Rio Concho in-error figure of \$10,526.66 to arrive at a new annual depreciation figure of \$4151.00. Her fallacy was not correcting the spreadsheet for the compressor error of \$75.23. Had she started with the corrected annual depreciation figure of 10,451.43 minus \$6375.36, she would have arrived at the proper \$4076.07 figure for annual depreciation.

Ms English used the incorrect depreciation figure in her calculations for base and gallonage rates on pages 4,5,6, 10, 11 and 12 of her reports⁸. In the second run, she increases annual depreciation to \$5197 on page 12, which we don't understand. However, since the first number run was implemented by the Commission and not the second number run, we find that immaterial here.

DID THE RATEPAYERS ATTEMPT TO NOTIFY THE STAFF OF THE INCORRECT ANNUAL DEPRECIATION FIGURE IN THE TWO NUMBER RUNS?

Yes. The Ratepayers sent an email to the PUC Staff attorney on May 15, 2017 and followed it up with a phone call. The Ratepayers were told that any contact with Ms English or Ms Loockerman would be considered ex parte communication. We were also advised that we should have protested the error in the PFD, however, as explained previously, this figure was not contained within the PFD. The Ratepayers did not wish to make any errors with the Commission and did not communicate this error any further.

WHAT DO THE RATEPAYERS WANT?

The Ratepayers were willing to accept the error in the Annual Depreciation in the Commission's First Number Run as we had no avenue to make a correction in May. Annual Depreciation is used to set base and gallonage rates in Ms English's report. However, since Rio Concho is now attempting to adjust

⁸ Memorandum, First Number Run p 4,5,6 Second Number Run p 10,11,12

the Rate schedule, the Ratepayers feel that any adjustment to the base and gallonage rates must utilize the correct annual depreciation figures and not the incorrect figure used in the first number run.

CONCLUSION

The ALJ's Proposal for Decision contained no reference to Rio Concho's annual depreciation figures, thus the Ratepayers could not correct the PFD for something not contained therein.

Please verify the annual depreciation figure of \$4076.07 and re-run the first number run using the correct figure on pages 4, 5, and 6 of the First number run report.

Rio Concho Aviation Depreciation Schedule (Corrected for their error)

A	B	C	D	E	F	G=D-F
Item	Date of Install	Service Life	Original Cost	Time in Service Mo	Depreciation Annual Accumulated	Net Book Value
Land	1985	N/A	\$5,184.00	31	N/A	\$5,184.00
Wells	1985	50	\$8,460.00	31	\$169.20	\$3,214.80
Well Pumps						
< 5 hp		5				
> 5 hp	1985	10				
Booster Pumps						
< 5 hp	1/2013	5	\$615.79	3	\$123.16	\$246.32
> 5 hp	7/2008	5	\$625.83	7	\$625.83	
Chlorinators	8/2011	10	\$150.00	4	\$15.00	\$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	\$3,728.86
Pressure Tanks	5/1985	50	\$5,900.00	31	\$118.00	\$2,242.00
Dist system	5/1985	50	\$109,219.85	31	\$2,184.40	\$41,503.54
Dist system	12/2012	50	\$1,250.00	3	\$25.00	\$1,172.92
Dist system	1/2013	50	\$1,238.71	2	\$24.77	\$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	\$48.71	\$361.24
Lamps	7/2013	10	\$213.85	2	\$21.39	\$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	Corrected for Rio Concho error.
Tool Bag	2/2013	15	\$247.73	2	\$16.52	Write off was more than the original cost.
Fencing	1985	20		21	\$46.79	\$200.94
Paving	4/2013	5	\$6,011.12	2	\$1,202.22	\$2,805.19
chairs	10/2014	10	\$475.20	1	\$47.52	\$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
Auto-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

RCA's last submission \$210,581.85 \$10,526.66 \$124,343.11 \$86,277.97 error:
Actual Total before reductions \$210,581.85 \$10,451.43 \$124,267.88 \$86,313.97
D-F does not equal G

Strike Thru Adjust by AU's PFD \$32,464.84 \$6,375.36 \$8,505.69 \$23,959.15

Corrected from Actual Total's \$178,117.01 \$4,076.07 \$115,762.19 \$62,354.82

Elisabeth English number used in First number run (45720-170) \$178,117.00 \$4,151.00 error \$115,762.00 \$62,355.00