



Control Number: 45720



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**SOAH DOCKET NO. 473-16-3831.WS
PUC DOCKET NO. 45720**

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

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§**

BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS

**PUBLIC UTILITY COMMISSION
FILING CLERK**

**COMMISSION STAFF'S RESPONSE TO RIO CONCHO AVIATION, INC.
FIRST REQUEST FOR INFORMATION
QUESTION NOS. RCA 1-1 THROUGH 1-16, 1-19 THROUGH 1-23,
1-26, 1-31, 1-33 THROUGH 1-35**

The Staff of the Public Utility Commission of Texas (Staff) stipulates that the following response(s) to request(s) for information/request(s) for admission/request(s) for production may be treated by all parties as if the answers were filed under oath.

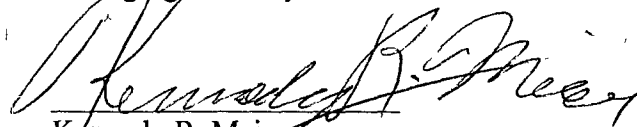
Dated: September 9, 2016

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Katherine Lengieza Gross
Managing Attorney

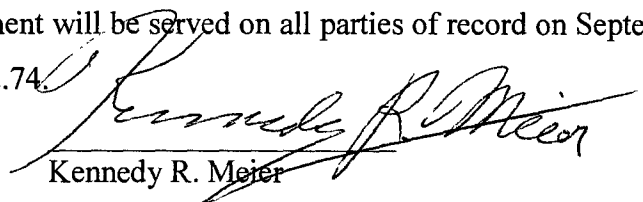


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CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on September 9, 2016, in accordance with 16 TAC § 22.74.



Kennedy R. Meier

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1-26, 1-31, 1-33 THROUGH 1-35**

RCA 1-1 Please admit or deny that a water utility may include costs that it incurs for after-hours and emergency calls as part of the revenue requirement.

RESPONSE:

Staff cannot admit or deny. However, staff admits that reasonable and necessary costs incurred in the test year for the provision of water service for after-hours and emergency calls may be included as a part of the revenue requirement.

Prepared by: Debi Loockerman
Sponsor: Debi Loockerman

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RCA 1-2 If you admitted that a water utility may include costs that it incurs for after-hours and emergency calls as part of the revenue requirement, please explain in detail the factors consider by you to determine whether such costs for after-hours and emergency calls were just and reasonable and properly included in the revenue requirement.

RESPONSE:

Staff would consider the Texas Water Code, Chapter 13, 16 TAC § 24.31, whether or not the expense is required to provide continuous and adequate water service, whether there is an appropriate alternative that may be more affordable, whether the cost is an affiliated transaction, whether or not the cost is duplicative, whether or not the cost is comparable to similar utilities, and Staff's experience in the industry with regard to the expense. Staff would also consider the documentation supporting the expense. The list may include more considerations given that each situation may have unique aspects of a utility's operations.

Prepared by: Debi Loockerman
Sponsor: Debi Loockerman

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RCA 1-3 If you denied that a water utility may include costs that it incurs for after-hours and emergency calls as part of the revenue requirement, please explain in detail why such costs for after-hours and emergency calls are not just and reasonable and not properly included in the revenue requirement.

RESPONSE:

Prepared by:
Sponsor:

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RCA 1-4 Please admit or deny that a water utility may recover costs in its revenue requirement for a vehicle that it owns and uses to provide utility services to its customers.

RESPONSE:

Staff cannot admit or deny. However, staff admits that reasonable and necessary costs incurred in the test year for the provision of water service for costs related to a vehicle may be included as a part of the revenue requirement.

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Sponsor: Debi Loockerman

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RCA 1-5 If you admitted that a water utility may recover costs in its revenue requirement for a vehicle that it owns and uses to provide utility services to its customers, please explain in detail the factors consider by you to determine which costs for such vehicle are just and reasonable and properly included in the revenue requirement.

RESPONSE:

Staff would consider the Texas Water Code, Chapter 13, 16 TAC § 24.31, whether or not the expense is required to provide continuous and adequate water service, whether there is an appropriate alternative that may be more affordable, whether the cost is an affiliated transaction, whether or not the cost is duplicative, whether or not the cost is comparable to similar utilities, and Staff's experience in the industry with regard to the expense. Staff would also consider the documentation supporting the expense. The list may include more considerations given that each situation may have unique aspects of a utility's operations.

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RCA 1-6 If you denied that a water utility may recover costs in its revenue requirement for a vehicle that it owns and uses to provide utility services to its customers, please explain in detail why the costs for such vehicle are not just and reasonable and not properly included in the revenue requirement.

RESPONSE:

Prepared by:
Sponsor:

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RCA 1-7 Please admit or deny that there are water utilities in Texas, whose rates have been approved by the Commission, that own vehicles for which the capital, depreciation, operating and maintenance costs are included in the revenue requirement.

RESPONSE:

Admit.

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Sponsor: Debi Loockerman

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1-26, 1-31, 1-33 THROUGH 1-35**

RCA 1-8 Please explain in detail the factors considered in determining whether a utility that owns a vehicle used for utility operation is allowed to claim the value of that vehicle in the utility's rate base.

RESPONSE:

Staff would consider the Texas Water Code, Chapter 13, 16 TAC § 24.31, whether or not the claimed asset is required to provide continuous and adequate water service, whether there is an appropriate alternative that may be more affordable, whether the cost is an affiliated transaction, whether or not the cost is duplicative, whether or not the cost is comparable to similar utilities, and Staff's experience in the industry with regard to the asset. Staff would also consider the documentation supporting the asset. The list may include more considerations given that each situation may have unique aspects of a utility's operations.

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Sponsor: Debi Loockerman

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RCA 1-9 Please explain in detail the factors considered in determining whether a utility that owns a vehicle used for utility operation is allowed to claim the expenses incurred in operating and maintaining that vehicle as part of the revenue requirement.

RESPONSE:

Staff would consider the Texas Water Code, Chapter 13, 16 TAC § 24.31, whether or not the claimed expense is required to provide continuous and adequate water service, whether there is an appropriate alternative that may be more affordable, whether the cost is an affiliated transaction, whether or not the cost is duplicative, whether or not the cost is comparable to similar utilities, and Staff's experience in the industry with regard to the expense. Staff would also consider the documentation supporting the expense. The list may include more considerations given that each situation may have unique aspects of a utility's operations.

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RCA 1-10 Please explain in detail the factors considered in determining whether a utility that owns a vehicle used for utility operation is allowed to claim the vehicle's annual depreciation, calculated according to the Commission's schedules and instructions, as part of the revenue requirement.

RESPONSE:

Staff would consider the Texas Water Code, Chapter 13, 16 TAC § 24.31, whether or not the claimed expense is required to provide continuous and adequate water service, whether there is an appropriate alternative that may be more affordable, whether the cost is an affiliated transaction, whether or not the cost is duplicative, whether or not the cost is comparable to similar utilities, and Staff's experience in the industry with regard to the expense. Staff would also consider the documentation supporting the expense. The list may include more considerations given that each situation may have unique aspects of a utility's operations.

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RCA 1-11 Please provide any documents related to your opinion regarding the treatment of a vehicle's capital, depreciation, operating and maintenance costs as part of the revenue requirement.

RESPONSE:

Appropriate documents applicable to this docket will be provided in support of Staff's testimony with regard to depreciation recommended through a mileage rate.

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RCA 1-12 Please admit or deny that a water utility may provide retirement benefits to its employees and recover such costs as part of its revenue requirement.

RESPONSE:

Staff cannot admit or deny. However, staff admits that reasonable and necessary costs incurred in the test year for the provision of water service may be included as a part of the revenue requirement.

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Sponsor: Debi Loockerman

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RCA 1-13 If you admitted that a water utility may provide retirement benefits to its employees and recover such costs as part of its revenue requirement, please explain in detail the factors considered by you to determine which costs for those benefits are just and reasonable and properly included in the revenue requirement.

RESPONSE:

Staff would consider the Texas Water Code, Chapter 13, 16 TAC § 24.31, whether or not the claimed expense is required to provide continuous and adequate water service, whether there is an appropriate alternative that may be more affordable, whether the cost is an affiliated transaction, whether or not the cost is duplicative, whether or not the cost is comparable to similar utilities, and Staff's experience in the industry with regard to the expense. Staff would also consider the size of the utility, market considerations, and documentation supporting the expense. The list may include more considerations given that each situation may have unique aspects of a utility's operations.

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RCA 1-14 If you denied that a water utility may provide retirement benefits to its employees and recover such costs as part of its revenue requirement, please explain in detail why costs for those benefits are not just and reasonable and properly included in the revenue requirement.

RESPONSE:

Prepared by:
Sponsor:

**SOAH DOCKET NO. 473-16-3831.WS
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RCA 1-15 Please provide any documents related to your opinion regarding the treatment of retirement benefits as part of the revenue requirement.

RESPONSE:

Appropriate documents applicable to this docket will be provided in support of Staff's testimony with regard to recommendation on retirement benefits expense.

Prepared by: Debi Loockerman
Sponsor: Debi Loockerman

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RCA 1-16 Please admit or deny that there are water utilities in Texas, whose rates have been approved by the Commission, that provide retirement benefits to their employees and recover such costs as part of their revenue requirement.

RESPONSE:

Admit.

Prepared by: Debi Loockerman
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RCA 1-19 Please admit or deny that a water utility may provide key employee insurance for its employees and recover such costs as part of its revenue requirement.

RESPONSE:

Staff cannot admit or deny because the statement is vague as to the meaning of "key employee insurance".

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RCA 1-20 If you admitted that a water utility may provide key employee insurance for its employees and recover such costs as part of its revenue requirement, please explain in detail the factors considered by you to determine which costs for that insurance were just and reasonable.

RESPONSE:

Prepared by:
Sponsor:

**SOAH DOCKET NO. 473-16-3831:WS
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RCA 1-21 If you denied that a water utility may provide key employee insurance for its employees and recover such costs as part of its revenue requirement, please explain in detail why costs for that insurance are not just and reasonable and properly included in the revenue requirement.

RESPONSE:

Prepared by:
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RCA 1-22 Please provide any documents related to your opinion regarding the treatment of key employee insurance as part of the revenue requirement.

RESPONSE:

Prepared by:
Sponsor:

**SOAH DOCKET NO. 473-16-3831.WS
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1-26, 1-31, 1-33 THROUGH 1-35**

RCA 1-23 Please admit or deny that there are water utilities in Texas, whose rates have been approved by the Commission, that provide key employee insurance for their employees and recover such costs as part of their revenue requirement.

RESPONSE:

Staff cannot admit or deny because the statement is vague as to the meaning of "key employee insurance".

Prepared by: Debi Loockerman
Sponsor: Debi Loockerman

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THROUGH 1-35**

RCA 1-26 Please admit or deny that the Commission application form for a rate/tariff change for Class B and C water utilities has instructions for how to calculate return on equity.

RESPONSE:

Admit.

Prepared by: Debi Loockerman
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1-23, 1-26, 1-31, 1-33 THROUGH 1-35**

RCA 1-31 Please admit or deny that there are water utilities in Texas, whose rates have been approved by the Commission, that have a rate of return on equity that is the same as the rate that is calculated according to the Commission instructions on the application form for a rate/tariff change for Class B and C water utilities.

RESPONSE:

Deny.

Prepared by: Debi Loockerman
Sponsor: Debi Loockerman

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RCA 1-33 Please admit or deny that a water utility may include costs for affiliated transactions as part of the revenue requirement.

RESPONSE:

Staff cannot admit or deny. However, staff admits that reasonable and necessary costs incurred in the test year for the provision of water service for affiliated costs which meet the requirements of TWC § 13.185(e) may be included as a part of the revenue requirement.

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RCA 1-34 If you admitted that a water utility may include costs for affiliated transactions as part of the revenue requirement, please explain in detail the factors consider by you to determine whether such costs for affiliated transactions were just and reasonable and properly included in the revenue requirement.

RESPONSE:

Staff would consider the Texas Water Code, Chapter 13, 16 TAC § 24.31, whether or not the claimed expense is required to provide continuous and adequate water service, whether there is an appropriate alternative that may be more affordable, whether the cost is an affiliated transaction, whether or not the cost is duplicative, whether or not the cost is comparable to similar utilities, and Staff's experience in the industry with regard to the expense. Staff would also consider the size of the utility, market considerations, and documentation supporting the expense. The list may include more considerations given that each situation may have unique aspects of a utility's operations.

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RCA 1-35 If you denied that a water utility may include costs for affiliated transactions as part of the revenue requirement, please explain in detail why such costs for affiliated transactions are not just and reasonable and not properly included in the revenue requirement.

RESPONSE:

Prepared by:
Sponsor: