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SOAH DOCKET NO. 473-17-0119.WS
PUC DOCKET NO. 46245

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APPLICATION OF DOUBLE DIAMOND
UTILITY COMPANY, INC. FOR A
WATER AND SEWER RATE/TARIFF
CHANGE

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§
§

BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE
HEARINGS



DIRECT TESTIMONY OF
JONATHAN RAMIREZ
WATER UTILITY REGULATION
PUBLIC UTILITY COMMISSION OF TEXAS
SEPTEMBER 22, 2017

000001

595

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Direct Testimony of Jonathan Ramirez

September 22, 2017

000003

1 **I. INTRODUCTION OF WITNESS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. Jonathan Ramirez, Public Utility Commission of Texas, 1701 N. Congress Avenue, Austin,
4 Texas 78711-3326.

5 **Q. BY WHOM ARE YOU CURRENTLY EMPLOYED AND IN WHAT CAPACITY?**

6 A. I have been employed by the Public Utility Commission of Texas (Commission) since
7 October 3, 2016 as a Financial Analyst in the Water Utility Regulation Division.

8 **Q. WHAT ARE YOUR PRINCIPAL RESPONSIBILITIES AT THE COMMISSION?**

9 A. I am responsible for reviewing certificate of convenience and necessity (CCN) applications
10 and amendments, sale/transfer/merger applications, tariff/rate change applications, stock
11 transfers, financial and technical and managerial reviews, and rate filings. I am also
12 responsible for preparing testimony and exhibits for contested case matters involving
13 investor-owned, non-profit and governmental water and sewer retail public utilities and
14 wholesale matters, and assisting with settlement negotiations.

15 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL
16 EXPERIENCE.**

17 A. I have provided a summary of my educational background and professional experience in
18 Attachment JR-1 to my direct testimony.

Direct Testimony of Jonathan Ramirez

September 22, 2017

1 **II. PURPOSE AND SCOPE OF TESTIMONY**

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

3 A. The purpose of my testimony is to present a recommendation for the revenue requirements,
4 including total invested capital, for Double Diamond Utility Company, Inc., (DDU) The
5 Cliffs Subdivision (The Cliffs).

6 Commission Staff witness Emily Sears will be presenting the cost of service
7 recommendations for The White Bluff subdivision. Ms. Sears also provided the
8 recommendation for rate of return included in my cost of service recommendations.

9 **Q. WHAT IS THE SCOPE OF YOUR REVIEW?**

10 A. I reviewed the application, testimonies, and replies to requests for information of The Cliffs,
11 with respect to expenses, rate case expense, and overall revenue requirements. This
12 recommendation pertains to the following issues from the Commission's preliminary order
13 for this case:

14 3. What revenue requirement will give the utility a reasonable opportunity to earn a
15 reasonable return on its invested capital used and useful in providing service to the public in
16 excess of its reasonable and necessary operating expenses while preserving the utility's
17 financial integrity?

18 5. What is the reasonable and necessary cost of providing service?

Direct Testimony of Jonathan Ramirez

September 22, 2017

- 1 6. What adjustments, if any, should be made to the utility's proposed test-year data?
- 2 15. What is the reasonable and necessary working capital allowance for the utility?
- 3 20. What are the utility's reasonable and necessary operations and maintenance expenses?
- 4 21. What are the utility's reasonable and necessary administrative and general expenses?
- 5 29. What is the reasonable and necessary amount for the utility's federal income tax expense?
- 6 38. What are the utility's expenses incurred in this rate processing that are just and
- 7 reasonable, necessary, and in the public interest? Does that amount include any anticipated
- 8 expenses to appeal this docket that are just and reasonable, necessary, and in the public
- 9 interests? Should the utility be able to recover its reasonable and necessary rate-case
- 10 expenses from ratepayers? If so, how should such expenses, if any, be recovered by the
- 11 utility?

12

13 **III. REVENUE REQUIREMENT FOR THE CLIFFS**

14 **Q. WHAT IS THE APPROPRIATE METHODOLOGY TO DETERMINE JUST AND**

15 **REASONABLE RATES IN THIS DOCKET?**

16 A. The revenue requirement formula used in base rate cases is as follows:

17
$$RR = E + D + T + (RB \times ROR)$$

18 Where:

Direct Testimony of Jonathan Ramirez

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1	RR	=	Revenue Requirement
2	E	=	Operating Expense
3	D	=	Depreciation Expense
4	T	=	Taxes
5	RB	=	Rate Base
6	ROR	=	Overall Rate of Return

7 **Q. WHAT IS THE BASIS FOR REVENUE REQUIREMENT?**

8 A. In Texas, a utility method revenue requirement is determined by developing a cost of service
9 based on a historical test year. Pursuant to 16 Tex.Admin.Code § 24.31(b) (TAC):

10 Only those expenses that are reasonable and necessary to provide service to the
11 ratepayers may be included in allowable expenses. In computing a utility's
12 allowable expenses, only the utility's test year expenses as adjusted for known
13 and measurable changes may be considered. A change in rates must be based
14 on a test year as defined in § 24.3(71) of this title (relating to Definitions of
15 Terms).

16

17 **Q. WHAT REVENUE REQUIREMENT IS THE CLIFFS REQUESTING IN THIS**
18 **CASE?**

19 A. DDU originally filed its application on August 1, 2016. DDU amended its application on
20 August 4, 2016. In the amended application, The Cliffs is requesting a revenue requirement,
21 expressed in the equation above, of $\$429,016 = \$286,150 + \$78,443 + \$10,545 + \$5,576 +$

Direct Testimony of Jonathan Ramirez

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1 \$48,302 for its water system. The Cliffs is also requesting a revenue requirement \$319,774
2 - \$230,581 + \$29,263 + \$9,970 + \$5,171 + \$44,789 for its sewer system.

3 **Q. WHAT REVENUE REQUIREMENT IS STAFF RECOMMENDING IN THIS**
4 **CASE?**

5 A. Staff recommends a revenue requirement of \$386,279 = \$260,845 + \$75,905 + \$13,327 +
6 (\$520,143 x 6.96%) for water, and \$284,035 - \$206,935 + \$28,256 + \$13,157 + (\$512,752
7 x 6.96%) for sewer.¹

8 **Q. WHAT PRINCIPLES AND REQUIREMENTS WERE USED AS THE BASIS FOR**
9 **YOUR RECOMMENDATION?**

10 A. My recommendation is based on regulatory requirements included in Texas Water Code §
11 13.185 (TWC), 16 TAC §§ 24.31 and 24.33, my experience, and utility practices in Texas.

12

13 **IV. EXPENSE ADJUSTMENT SUMMARY FOR THE CLIFFS**

14 **Q. PLEASE SUMMARIZE STAFF'S RECOMMENDED ADJUSTMENTS TO**
15 **OPERATION AND MAINTENANCE EXPENSES.**

16 A. Staff recommends adjusting the following for water:
17

¹ Attachment JR-2

Direct Testimony of Jonathan Ramirez

September 22, 2017

Account Name	The Cliffs' Request	Staff's Adjustment	Staff's Recommended Allowance
Other Volume Related Expenses	\$21,107	(\$1,050)	\$20,057
Transportation	\$15,924	(\$4,593)	\$11,331
Miscellaneous	\$22,432	(\$19,663)	\$2,769
Total O&M Adjustments		(\$25,306)	

1

2 Staff recommends adjusting the following for sewer:

Account Name	The Cliffs' Request	Staff's Adjustment	Staff's Recommended Allowance
Other Volume Related Expenses	\$373	(\$373)	\$0
Transportation	\$13,261	(\$4,593)	\$8,668
Miscellaneous	\$18,681	(\$18,681)	\$0
Total O&M Adjustments		(\$23,647)	

3

4 **V. EXPENSE ADJUSTMENTS FOR THE CLIFFS**

5 **A. OTHER VOLUME RELATED EXPENSES**

6 **Q. WHAT IS THE CLIFFS' OTHER VOLUME RELATED EXPENSES CLAIMED?**

7 A. The Cliffs other volume related expenses claimed is \$21,107 for water, and \$373 for sewer.

8 **Q. WHAT IS THE CLIFFS' BASIS FOR THE OTHER VOLUME RELATED**

9 **EXPENSES CLAIMED?**

Direct Testimony of Jonathan Ramirez

September 22, 2017

1 A. The Cliffs Other Volume Related Expenses includes repair and maintenance chemicals, and
2 repair and maintenance equipment.

3 **Q. WHAT DOES STAFF RECOMMEND FOR OTHER VOLUME RELATED**
4 **EXPENSES?**

5 A. Staff recommends removing \$1,050 from water, and \$373 from sewer.

6 **Q. WHAT IS STAFF'S BASIS FOR REMOVING THESE AMOUNTS?**

7 A. Staff recommends removing these amounts because the amounts in the trial balances are not
8 supported by invoices.² Therefore, Staff recommends removal of these amounts from the
9 Other Volume Related Expenses.

10 **B. TRANSPORTATION**

11 **Q. WHAT IS THE CLIFFS' TRANSPORTATION EXPENSE CLAIMED?**

12 A. The Cliffs is claiming \$15,924 for water, and \$4,593 for sewer.

13 **Q. WHAT IS THE COMPANY'S BASIS FOR ITS TRANSPORTATION EXPENSE**
14 **CLAIMED?**

15 A. The Cliffs Transportation Expense includes vehicle expense, vehicle fuel expense, and
16 vehicle lease.

² Workpapers of Jonathan Ramirez at 1-2.
Direct Testimony of Jonathan Ramirez

September 22, 2017

1 **Q. WHAT DOES STAFF RECOMMEND FOR TRANSPORTATION EXPENSE?**

2 A. Staff recommends removing \$4,593 from water, and \$4,593 from sewer.

3 **Q. WHAT IS THE BASIS FOR STAFF'S REMOVAL OF THESE AMOUNTS?**

4 A. Staff recommends removing these amounts because there were several journal entries
5 represented by these amounts that were unsupported by vehicle logs, receipts or invoices.

6 Staff recommends removal of these amounts from the cost of service.³

7 **C. MISCELLANEOUS**

8 **Q. WHAT IS THE CLIFFS' CLAIM FOR MISCELLANEOUS EXPENSES?**

9 A. The Cliffs is claiming miscellaneous expenses of \$22,432 for water and \$18,681 for sewer.

10 **Q. WHAT IS THE CLIFFS' BASIS FOR MISCELLANEOUS EXPENSES?**

11 A. The Cliffs miscellaneous expenses included equipment leases, training and education, sewer
12 tap expense, allocated resort overhead, and "allocated resort G&A".

13 **Q. WHAT IS STAFF'S RECOMMENDATION FOR MISCELLANEOUS EXPENSES?**

14 A. Staff recommends removing \$19,663 for water, and \$18,681 for sewer which includes the
15 allocation for both resort overhead and resort G&A, sewer tap expense, and equipment lease.

16

³ Workpapers of Jonathan Ramirez at 3-5.

Direct Testimony of Jonathan Ramirez

September 22, 2017

1 **Q. WHAT IS STAFF'S BASIS FOR REMOVING THESE AMOUNTS?**

2 A. Staff recommends removing these amounts because they were allocated to The Cliffs for both
3 resort overhead and resort G&A. Staff witness Ms. Sears reviewed the overhead allocations
4 and recommended removal based on her review and analysis.⁴ I concur with her review and
5 have made my adjustments based on her conclusions.

6 **D. CASH WORKING CAPITAL**

7 **Q. DOES STAFF AGREE WITH THE METHODOLOGY THE CLIFFS USES TO**
8 **CALCULATE CASH WORKING CAPITAL (CWC)? PLEASE EXPLAIN.**

9 A. No. The Cliffs calculated CWC using 1/8th of operations. Staff does not agree because The
10 Cliffs is a part of DDU which serves in excess of 500 water connections and should therefore
11 use the 1/12th of operations and maintenance calculation for CWC in accordance with 16 TAC
12 § 24.31(c)(2)(C)(iii)(III). DDU is the company maintaining cash balances for both The Cliffs
13 and White Bluff subdivisions under one CCN. DDU filed its annual report for 2014 combining
14 the two subdivisions under one annual report, in addition to filing a single rate case for both
15 subdivisions.

16 **E. TAXES**

17 **Q. DO STAFF'S RECOMMENDATIONS CHANGE THE AMOUNT OF TAXES IN**

⁴ Direct Testimony of Emily Sears at 23-24 (Sep. 22, 2017).

Direct Testimony of Jonathan Ramirez

September 22, 2017

1 **THIS CASE?**

2 A. Yes. Both other taxes and federal income taxes were adjusted based on the flow-through
3 calculations due to Staff's recommended changes to the cost of service.

4 **Q. WHAT IS THE REDUCTION TO OTHER TAXES?**

5 A. Other taxes were reduced by \$281 for water, and \$281 for sewer.

6 **Q. WHAT IS THE REDUCTION TO FEDERAL INCOME TAXES?**

7 Federal income taxes were reduced by \$2,108 for water, and \$2,281 for sewer.

8 **VI. RATE CASE EXPENSES FOR WHITE BLUFF AND THE CLIFFS**

9 **Q. WHAT IS RATE CASE EXPENSES?**

10 A. A utility may recover rate case expenses, including attorney fees, incurred as a result of
11 filing a rate-change application pursuant to TWC §§ 13.187 or 13.1871, only if the expenses
12 are just, reasonable, necessary, and in the public interest. Pursuant to 16 TAC § 24.33 a
13 utility may not recover any rate case expenses if the increase in revenue generated by the just
14 and reasonable rate determined by the Commission after a contested case hearing is less than
15 51% of the increase in revenue that would have been generated by a utility's proposed rate.

16 **Q. DO YOU RECOMMEND ANY ADJUSTMENTS TO RATE CASE EXPENSES?**

17 A. Yes. At this point in time, Staff recommends recovery of zero (\$0) rate case expenses.

18

Direct Testimony of Jonathan Ramirez

September 22, 2017

1 **Q. PLEASE EXPLAIN.**

2 A. In DDU witness Randy Gracy's testimony he states that as of July 15, 2017, rate case
3 expenses incurred were approximately \$137,957.58.⁵ Staff requested copies of invoices for
4 rate case expenses in Staff Request For Information (RFI) No. 3-1. DDU filed responsive
5 information on September 20, 2017, which did not allow Staff sufficient time for review
6 prior to the filing of this testimony. Staff will provide supplemental testimony with regard
7 to rate case expenses upon reviewing information provided related to the requested expenses.

8 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

9 A. Yes. I reserve the right to supplement this testimony during the course of the proceeding as
10 new evidence is presented.

⁵ Direct Testimony of Randy Gracy at 16 (Aug. 4, 2017)
Direct Testimony of Jonathan Ramirez

September 22, 2017

Jonathan Ramirez

EDUCATION

Texas A&M University, Mays Business School, College Station, TX
2016
Bachelor of Business Administration in Finance
Cumulative GPA: 3.36

June 2012- May

EXPERIENCE

Public Utility Commission of Texas, Austin Texas
Financial Examiner II

October 3, 2016-Present

- Review retail water and sewer utility rate change applications, utility cost of service information, and process applications through final action dates to ensure rates are just and reasonable.
- Review, audit, analyze, and prepare recommendations on the financial, managerial, and technical capacity information for retail public water or sewer utilities submitted in Certificate of Convenience and Necessity (CCN) and Sale, Transfer, Merger (STM) applications.
- Prepare analyses and written testimony on financial, accounting, and cost-recovery issues in rate proceedings and other cases before the Commission.

Texas Department of Motor Vehicles, Austin Texas
August 2016

June 2016-

Special Projects Coordinator 1 Intern- Finance and Administrative Services Division

- Open, sort, and endorse all incoming payments on date mail was received. Log cash into the cash book, maintain log of returned checks, and return documents that did not meet established guidelines.
- Responsible for calling/emailing the customer regarding incorrect amounts entered on their submitted documents.
- Responsible for preparing outstanding balance reports for different revenue accounts.
- Enter revenue payments into CAPPs for multiple revenue accounts that DMV processes.
- Review and balance accounting revenue transactions between USAS and CAPPs utilizing an excel spreadsheet. Any discrepancies found between USAS and CAPPs were researched and analyzed to determine when the payments were received and processed.

Texas Department of Motor Vehicles, Austin Texas
August 2015

June 2015-

Special Projects Coordinator 1 Intern- Consumer Relation Division

- Review agency documents such as; vehicle transfer notifications, request for vehicle information, and change of address for accurately and completeness.
- Responsible for contacting customers through telephone or email regarding missing information on their documents.
- Responsible for answering calls regarding instructions on how to complete a proper title transfer, a bonded title, a certified copy of title, renewing vehicle registration, and specialty license plates.
- Enter customer information from change of address forms into the DMV database. Enter coworker's daily activity times into DMV database for tracking purposes.
- Research and confirm payments for customers inquiring on status of their vehicle transfer notifications, vehicles registrations, certified copy of title, and other agency forms.

SOAH DOCKET NO. 473-17-0117.WS
PUC DOCKET NO. 46245
COMPANY NAME Double Diamond Utility Company, Inc. - The Cliffs Subdivision - Water
TEST YEAR END 31-Dec-15

Attachment JR-2 Staff Schedule I
Revenue Requirement

0000016

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
REVENUE REQUIREMENT					
Operations and Maintenance	\$ 260,326	\$ 25,824	\$ 286,150	\$ (25,306)	\$ 260,845
Depreciation and Amortization Expense	\$ 45,823	\$ 32,620	\$ 78,443	\$ (2,538)	\$ 75,905
Taxes Other Than Income	\$ 10,849	\$ (304)	\$ 10,545	\$ (686)	\$ 9,859
Federal Income Taxes	\$ -	\$ 5,576	\$ 5,576	\$ (2,108)	\$ 3,468
Return on Invested Capital	\$ 15,032	\$ 33,269	\$ 48,301	\$ (12,099)	\$ 36,202
TOTAL	\$ 332,030	\$ 96,985	\$ 429,015	\$ (42,736)	\$ 386,279
Other Revenues - Taps, Recon, late fee, Etc.				\$	\$ -
Revenue Requirement Used to Set Rates	\$ 332,030	\$ 96,985	\$ 429,015	\$ (42,736)	\$ 386,279

SOAH DOCKET NO. 473-17-0117.WS
PUC DOCKET NO. 46245
COMPANY NAME Double Diamond Utility Company, Inc. - The Cliffs Subdivision - Water
TEST YEAR END 31-Dec-15

Attachment JR-2 Staff Schedule II
O&M Expense

0000017

OPERATIONS AND MAINTENANCE EXPENSE		Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
Acct. No.	ACCOUNT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
610	PURCHASED WATER			\$0		\$0
615	POWER EXPENSE-PRODUCTION ONLY	\$18,275		\$18,275		\$18,275
618	OTHER VOLUME RELATED EXPENSES	\$21,107		\$21,107	-\$1,050	\$20,057
601-1	EMPLOYEE LABOR	\$61,126	\$25,824	\$86,950		\$86,950
620	MATERIALS	\$1,636		\$1,636		\$1,636
631-636	CONTRACT WORK	\$12,110		\$12,110		\$12,110
650	TRANSPORTATION EXPENSES	\$15,924		\$15,924	-\$4,593	\$11,332
664	OTHER PLANT MAINTENANCE	\$65,828		\$65,828		\$65,828
601-2	OFFICE SALARIES			\$0		\$0
601-3	MANAGEMENT SALARIES			\$0		\$0
604	EMPLOYEE PENSIONS & BENEFITS			\$0		\$0
615	PURCHASED POWER-OFFICE ONLY			\$0		\$0
670	BAD DEBT EXPENSE			\$0		\$0
676	OFFICE SERVICES & RENTALS			\$0		\$0
677	OFFICE SUPPLIES & EXPENSES	\$6,088		\$6,088		\$6,088
678	PROFESSIONAL SERVICES	\$21,231		\$21,231		\$21,231
684	INSURANCE	\$11,243		\$11,243		\$11,243
666	REGULATORY EXPENSE (RATE CASE)			\$0		\$0
667	REGULATORY EXPENSE (OTHER)	\$3,326		\$3,326		\$3,326
675	MISCELLANEOUS	\$22,432		\$22,432	-\$19,663	\$2,769
	TOTAL	\$260,326	\$25,824	\$286,150	-\$25,306	\$260,845

*Rounding

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COMPANY NAME Double Diamond Utility Company, Inc. - The Cliffs Subdivision - Water
TEST YEAR END 31-Dec-15

Attachment JR-2 Staff Schedule III
Invested Capital

0000018

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
INVESTED CAPITAL					
Plant in Service	\$ 1,612,546		\$ 1,612,546	\$ (22,458)	\$ 1,590,088
Accumulated Depreciation	\$ (826,559)		\$ (826,559)	\$ 29,940	\$ (796,619)
			\$ -		
Net Plant in Service	\$ 785,987	\$ -	\$ 785,987	\$ 7,482	\$ 793,469
			\$ -		
Working Cash Allowance	\$ 35,769		\$ 35,769	\$ (14,032)	\$ 21,737
Materials and Supplies			\$ -		
Prepayments			\$ -		
Customer Advances Construction			\$ -		
Developer Contribution in Aid of Construction	\$ (248,421)		\$ (248,421)	\$ (6,785)	\$ (255,206)
Customer Deposits			\$ -		
Regulatory Assets			\$ -		
Accumulated DFIT			\$ -	\$	(39,857)
Regulatory Liabilities			\$ -		
			\$ -		
TOTAL INVESTED CAPITAL (RATE BASE)	\$ 573,335	\$ -	\$ 573,335	\$ (13,335)	\$ 520,143
RATE OF RETURN			8.42%		6.96%
RETURN ON INVESTED CAPITAL	\$ 15,032	\$ 33,243	\$ 48,275	\$ (12,073)	\$ 36,202

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PUC DOCKET NO. 46245
COMPANY NAME Double Diamond Utility Company, Inc. - The Cliffs Subdivision - Water
TEST YEAR END 31-Dec-15

Attachment JR-2 Staff Schedule IV
Taxes Other Than FIT

0000019

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
TAXES OTHER THAN FIT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
Non-Revenue Related					
Ad Valorem Taxes	\$ 865	\$ 33	\$ 898	\$	\$ 898
Total Property	\$ 865	\$ 33	\$ 898	\$	\$ 898
Payroll Taxes					
FICA			\$ 5,391	\$	\$ 5,391
MEDICARE			\$ 1,261	\$	\$ 1,261
MEDICARE-Affordable Care Act				\$ -	\$ -
FUTA			\$ 147	\$ (67)	\$ 80
SUTA			\$ 473	\$ (215)	\$ 258
Total Payroll	\$ 7,608	\$ (336)	\$ 7,272	\$ (281)	\$ 6,990
Other Taxes					
Other taxes and Licenses	\$ 1,971		\$ 1,971	\$	\$ 1,971
Total Other Taxes	\$ 1,971		\$ 1,971	\$ -	\$ 1,971
TOTAL TAXES OTHER THAN INCOME	\$ 10,444	\$ (303)	\$ 10,141	\$ (281)	\$ 9,859

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COMPANY NAME Double Diamond Utility Company, Inc. - The Cliffs - Water
TEST YEAR END 31-Dec-15

Attachment JR -2 Staff Schedule V
Federal Income Taxes

0000020

	Test Year Total	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
FEDERAL INCOME TAXES	(a)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
Return	Total	\$ 93,091	\$ (21,202)	\$ 71,889
Less			\$ -	
Interest Included in Return		\$ 37,018	\$ (13,055)	\$ 23,963
Plus			\$ -	
Other Adjustments			\$ -	
TAXABLE COMPONENT OF RETURN		\$ 56,073	\$ (8,147)	\$ 47,926
TAX RATE		16%		34%
TAX FACTOR $(1/(1-TR))*(TR)$		0.191648077	\$ 0.32	0.515151515
FEDERAL INCOME TAX BEFORE ADJUSTMENTS		\$ 10,746	\$ 13,943	\$ 24,689
LESS			\$ -	
Surtax Exemption		\$ -	\$ (17,803.00)	\$ (17,803.00)
TOTAL FEDERAL INCOME TAXES		\$ 10,746	\$ (3,860)	\$ 6,886
Allocation Factor (Cliffs Sewer NI/Total Cliffs NI)		52%		50%
Allocated to The Cliffs - Water		\$ 5,576	\$ (2,108)	\$ 3,468

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PUC DOCKET NO. 46245
COMPANY NAME Double Diamond Utility Company, Inc. - The Cliffs - Water
TEST YEAR END 31-Dec-15

Attachment JR-2 Staff Schedule VI
Payroll Taxes

0000021

		Tax Rate	Taxable Wages	Staff Adjusted Total
PAYROLL TAXES - THE CLIFFS WATER				(e)=(c)*(d)
FICA	All Wages	6.20%	\$ 86,950	\$ 5,391
MEDICARE	All Wages	1.45%	\$ 86,950	\$ 1,261
MEDICARE-Affordable Care Act		0.00%	\$ 86,950	\$ -
FUTA	Wages to \$7000	0.60%	\$ 13,391	\$ 80
SUTA	Wages to \$9000	1.50%	\$ 17,217	\$ 258
TOTAL PAYROLL				\$ 6,990

		Tax Rate	Taxable Wages	Staff Adjusted Total
PAYROLL TAXES - THE CLIFFS SEWER				(e)=(c)*(d)
FICA		6.20%	\$ 86,950	\$ 5,391
MEDICARE		1.45%	\$ 86,950	\$ 1,261
MEDICARE-Affordable Care Act		0.00%	\$ 86,950	\$ -
FUTA		0.60%	\$ 7,434	\$ 45
SUTA		1.50%	\$ 9,558	\$ 143
TOTAL PAYROLL				\$ 6,840

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PUC DOCKET NO. 46245
COMPANY NAME Double Diamond Utility Company, Inc. - The Cliffs Subdivision - Sewer
TEST YEAR END 31-Dec-15

Attachment JR- 3 Staff Schedule I
Revenue Requirement

0000022

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
REVENUE REQUIREMENT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
Operations and Maintenance	\$ 194,534	\$ 36,047	\$ 230,581	\$ (23,647)	\$ 206,935
Depreciation and Amortization Expense	\$ 38,159	\$ (8,896)	\$ 29,263	\$ (1,007)	\$ 28,256
Taxes Other Than Income	\$ 9,035	\$ 935	\$ 9,970	\$ (281)	\$ 9,689
Federal Income Taxes	\$ -	\$ 5,171	\$ 5,171	\$ (1,703)	\$ 3,468
Return on Invested Capital	\$ (36,428)	\$ 81,218	\$ 44,790	\$ (9,102)	\$ 35,688
TOTAL	\$ 205,300	\$ -	\$ 319,775	\$ (35,740)	\$ 284,035
Other Revenues - Taps, Recon, late fee, Etc.				\$ -	
Revenue Requirement Used to Set Rates	\$ 205,300	\$ 114,475	\$ 319,775	\$ (35,740)	\$ 284,035

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COMPANY NAME Double Diamond Utility Company, Inc. - The Cliffs Subdivision - Sewer
TEST YEAR END 31-Dec-15

Attachment JR-3 Staff Schedule II
O&M Expense

0000023

OPERATIONS AND MAINTENANCE EXPENSE		Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
Acct. No.	ACCOUNT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
610	PURCHASED WATER			\$0		\$0
615	POWER EXPENSE-PRODUCTION ONLY	\$3,292		\$3,292		\$3,292
618	OTHER VOLUME RELATED EXPENSES	\$373		\$373	-\$373	\$0
601-1	EMPLOYEE LABOR	\$50,903	\$36,047	\$86,950		\$86,950
620	MATERIALS	\$1,363		\$1,363		\$1,363
631-636	CONTRACT WORK	\$10,084		\$10,084		\$10,084
650	TRANSPORTATION EXPENSES	\$13,261		\$13,261	-\$4,593	\$8,669
664	OTHER PLANT MAINTENANCE	\$57,231		\$57,231		\$57,231
601-2	OFFICE SALARIES			\$0		\$0
601-3	MANAGEMENT SALARIES			\$0		\$0
604	EMPLOYEE PENSIONS & BENEFITS			\$0		\$0
615	PURCHASED POWER-OFFICE ONLY			\$0		\$0
670	BAD DEBT EXPENSE			\$0		\$0
676	OFFICE SERVICES & RENTALS			\$0		\$0
677	OFFICE SUPPLIES & EXPENSES	\$5,069		\$5,069		\$5,069
678	PROFESSIONAL SERVICES	\$3,028		\$3,028		\$3,028
684	INSURANCE	\$9,363		\$9,363		\$9,363
666	REGULATORY EXPENSE (RATE CASE)			\$0		\$0
667	REGULATORY EXPENSE (OTHER)	\$21,886		\$21,886		\$21,886
675	MISCELLANEOUS	\$18,681		\$18,681	-\$18,681	\$0
	TOTAL	\$194,534	\$36,047	\$230,581	-\$23,647	\$206,935

*Rounding

SOAH DOCKET NO. 473-17-0117.WS
PUC DOCKET NO. 46245
COMPANY NAME Double Diamond Utility Company, Inc. - The Cliffs - Sewer
TEST YEAR END 31-Dec-15

Attachment JR-3 Staff Schedule III
Invested Capital

0000024

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
INVESTED CAPITAL					
Plant in Service	\$ 1,017,635		\$ 1,017,635	\$ (11,088)	\$ 1,006,547
Accumulated Depreciation	\$ (442,907)		\$ (442,907)	\$ 9,441	\$ (433,466)
Net Plant in Service	\$ 574,728	\$ -	\$ 574,728	\$ (1,647)	\$ 573,081
Working Cash Allowance	\$ 28,823		\$ 28,823	\$ (11,578)	\$ 17,245
Materials and Supplies			\$ -		
Prepayments			\$ -		
Customer Advances Construction			\$ -		
Developer Contribution in Aid of Construction	\$ (71,898)		\$ (71,898)	\$ 3,819	\$ (68,079)
Customer Deposits			\$ -		
Regulatory Assets			\$ -		
Accumulated DFIT			\$ -		\$ (9,495)
Regulatory Liabilities			\$ -		
TOTAL INVESTED CAPITAL (RATE BASE)	\$ 531,653		\$ 531,653	\$ (9,406)	\$ 512,752
RATE OF RETURN			8.42%		6.96%
RETURN ON INVESTED CAPITAL	\$ (36,428)	\$ 81,193	\$ 44,765	\$ (9,078)	\$ 35,688

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COMPANY NAME Double Diamond Utility Company, Inc. -The Cliffs Subdivision - Sewer
TEST YEAR END 31-Dec-15

Attachment JR-3 Staff Schedule IV
Taxes Other Than FIT

0000025

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
TAXES OTHER THAN FIT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
Non-Revenue Related					
Ad Valorem Taxes	\$ 721		\$ 721		\$ 721
Total Property	\$ 721	\$ -	\$ 721		\$ 721
Payroll Taxes					
FICA			\$ 5,391		\$ 5,391
MEDICARE			\$ 1,261		\$ 1,261
MEDICARE-Affordable Care Act			\$ -		\$ -
FUTA			\$ 147	\$ (67)	\$ 80
SUTA			\$ 473	\$ (215)	\$ 258
Total Payroll	\$ 11,692	\$ (4,420)	\$ 7,272	\$ (281)	\$ 6,990
Other Taxes					
Other taxes and Licenses	\$ 1,978		\$ 1,978		\$ 1,978
Total Other Taxes	\$ 1,978		\$ 1,978	\$ -	\$ 1,978
TOTAL TAXES OTHER THAN INCOME	\$ 14,391	\$ (4,420)	\$ 9,971	\$ (281)	\$ 9,689

SOAH DOCKET NO. 473-17-0117.WS
PUC DOCKET NO. 46245
COMPANY NAME Double Diamond Utility Company, Inc. - The Cliffs Subdivision - Sewer
TEST YEAR END 31-Dec-15

Attachment JS-3 Staff Schedule V
Federal Income Taxes

0000026

	Test Year Total (a)	Company Requested Test Year Total (c)=(a)+(b)	Staff Adjustments To Company Request (d)	Staff Adjusted Total (e)=(c)+(d)
FEDERAL INCOME TAXES				
Return	Total	\$ 93,091		\$ 71,889
Less				
Interest Included in Return		\$ 37,018		\$ 23,963
Plus				
Other Adjustments				
TAXABLE COMPONENT OF RETURN		\$ 56,073		\$ 47,926
TAX RATE		16%		34%
TAX FACTOR $(1/(1-TR))*(TR)$		0.191648077		0.515151515
FEDERAL INCOME TAX BEFORE ADJUSTMENTS		\$ 10,746	\$ -	\$ 24,689
LESS				
Surtax Exemption		\$ -		\$ (17,803.00)
TOTAL FEDERAL INCOME TAXES		\$ 10,746		\$ 6,886
Allocation Factor (Cliffs Sewer NI/Total Cliffs NI)		60.06%		50.36%
Allocated to The Cliffs - Sewer		\$ 6,454	\$ (2,986)	\$ 3,468