

Control Number: 46245



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**SOAH DOCKET NO. 473-17-0019.WS
PUC DOCKET NO. 46245**

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**APPLICATION OF DOUBLE DIAMOND § BEFORE THE STATE OFFICE
UTILITY COMPANY, INC. FOR §
WATER AND SEWER RATE/TARIFF § OF
CHANGE §
§ ADMINISTRATIVE HEARINGS**

**COMMISSION STAFF'S FIRST ERRATA TO THE
DIRECT TESTIMONY OF EMILY SEARS**

The Staff of the Public Utility Commission of Texas ("Staff") submits this first errata to the Direct Testimony of Emily Sears, originally filed on September 22, 2017. This errata revises pages 8-11, 14, 15, 17, 18, 24, and 25, Attachment ES-3 Staff Schedules I, II, III, and V, and Attachment ES-4 Staff Schedules I, II, III, and V, and includes Supplemental Workpapers. While the documents contained in the Supplemental Workpapers contain the designation "Confidential," Staff has conferred with counsel for Double Diamond Utility Company, Inc. and has obtained agreement to treat these documents as public. These changes are reflected in the attached red-lined and clean versions of Ms. Sears' errata testimony.

These revisions will be filed in paper form and uploaded electronically to the Commission's Interchange.

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Dated: October 23, 2017

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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**SOAH DOCKET NO. 473-17-0019.WS
PUC DOCKET NO. 46245**

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on October 23, 2017 in accordance with 16 TAC § 22.74.


Erika N. Garcia

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

**APPLICATION OF DOUBLE DIAMOND
UTILITY COMPANY, INC. FOR A
RATE/TARIFF CHANGE**

§
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**BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE
HEARINGS**



**ERRATA TO THE DIRECT TESTIMONY OF
EMILY SEARS
WATER UTILITY REGULATION
PUBLIC UTILITY COMMISSION OF TEXAS
SEPTEMBER 22, 2017**

1 **Q. WHAT REVENUE REQUIREMENT IS STAFF RECOMMENDING FOR WHITE**
2 **BLUFF IN THIS CASE?**

3 A. Staff recommends a revenue requirement for White Bluff of $\$441,815$ $\$437,933 = \$206,880$ $\$203,353 +$
4 $\$111,155$ $\$111,209 + \$74,390$ $\$73,966 + (\$709,624$ $\$709,829 \times 6.96\%)$ for water, and $\$397,436$ $\$380,576 =$
5 $\$113,956$ $\$120,128 + \$96,888$ $\$83,888 + \$79,817$ $\$77,120 + (\$1,534,123$ $\$1,428,731 \times 6.96\%)$ for sewer.¹

6
7 **Q. WHAT IS WHITE BLUFF'S CLAIM FOR OTHER REVENUES?**

8 A. White Bluff claimed other revenues of \$5,163 for water, and \$4,574 for sewer.

9
10 **Q. WHAT IS THE BASIS FOR WHITE BLUFF'S CLAIM?**

11 A. White Bluff included late fees, reconnect fees, and other fees.²

12
13 **Q. WHAT AMOUNT DOES STAFF RECOMMEND FOR OTHER REVENUES FOR**
14 **WATER?**

15 A. Staff recommends an addition of \$3,600 for water, and no adjustment for sewer.

16
17 **Q. WHAT IS THE BASIS FOR THIS ADDITION FOR WATER?**

18 A. In White Bluff's general ledger, there were other revenues of \$300 monthly from Nextlink.³
19 Typically, income received from an internet/phone company is from allowing a company such
20 as Nextlink to install cell phone antennae on top of the water towers. Since this is an

¹ Attachment ES-3, ERRATA Staff Schedule I.

² Workpapers of Emily Sears, page 1 and 2.

³ Workpapers of Emily Sears, page 3.

1 additional source of revenues with no offsetting expense, Staff has added it to the water other
2 revenues.

3
4 **Q. WHAT ARE RESULTING REVENUE REQUIREMENTS USED TO SET RATES?**

5 A. With the removal of the other revenues from the revenue requirement, the revenue
6 requirement used to set rates is \$433,052 ~~\$429,170~~ for water, and \$392,862 ~~\$376,002~~ for sewer.

7
8 **IV. EXPENSE ADJUSTMENT SUMMARY FOR WHITE BLUFF**

9 **Q. PLEASE SUMMARIZE STAFF'S RECOMMENDED ADJUSTMENTS TO**
10 **OPERATION AND MAINTENANCE EXPENSES FOR WHITE BLUFF.**

11 A. Staff recommends adjusting the following for water:⁴

Account Name	Company Request	Staff's Adjustment	Staff's Recommended Allowance
Other Volume Related Expenses	\$8,289	\$318 (\$830)	<u>\$8,607</u> \$7,459
Total Employee Labor	\$80,520	(\$3,380)	\$77,140
Total Materials	\$2,913	(\$600)	\$2,313
Total Contract Work	\$3,298	<u>\$651</u> (\$723)	<u>\$3,949</u> \$2,575
Total Transportation	\$13,313	(\$10,209)	\$3,104
Total Other Plant Maintenance	\$41,055	(\$18,806) (\$19,211)	<u>\$22,249</u> \$21,844
Total Insurance	\$9,668	(\$4,815)	\$4,853
Total Regulatory Expense	\$24,476	(\$23,291)	\$1,185
Total Miscellaneous	\$29,261	(\$28,400)	\$861
Total O&M Adjustments		<u>(\$87,932)</u> (\$91,459)	

⁴ Attachment ES-3, ERRATA Staff Schedule II.

1 Staff recommends adjusting the following for sewer.⁵

Account Name	Company Request	Staff's Adjustment	Staff's Recommended Allowance
Other Volume Related Expenses	\$2,409	(\$530)	\$1,879
Employee Labor	\$91,440	(\$40,300)	\$51,140
Total Materials	\$2,581	(\$370)	\$2,211
Total Contract Work	\$2,922	\$578 (\$212)	\$3,500 \$2,710
Total Transportation	\$11,795	(\$6,300)	\$5,495
Total Other Plant Maintenance	\$100,955	(\$83,962) (\$76,630)	\$16,993 \$24,325
Professional Services	\$3,937	(\$2,907)	\$1,030
Total Insurance	\$8,566	(\$1,500)	\$7,066
Regulatory Expense	\$7,049	(\$2,519)	\$4,530
Total Miscellaneous	\$26,424	(\$26,424)	\$0
Total O&M Adjustments		(\$163,864) (\$157,692)	

2

3 **V. EXPENSE ADJUSTMENTS**

4 **A. OTHER VOLUME RELATED EXPENSES**

5 **Q. WHAT IS WHITE BLUFF'S OTHER VOLUME RELATED EXPENSES CLAIM?**

6 A. White Bluff is claiming volume related expenses of \$8,289 for water, and \$2,409 for sewer.

7

8

⁵ Attachment ES-4, ERRATA Staff Schedule II.

1 **Q. WHAT IS WHITE BLUFF'S BASIS FOR THE OTHER VOLUME RELATED**
2 **EXPENSES CLAIM?**

3 A. White Bluff includes in its other volume related expenses claim repair and maintenance
4 chemicals, and repair and maintenance equipment.⁶

6 **Q. WHAT DOES STAFF RECOMMEND FOR OTHER VOLUME RELATED**
7 **EXPENSES?**

8 A. Staff recommends an addition of \$318 to removing \$830 from water, and removing \$530 from sewer.

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

11 A. Staff recommends removing \$830 from water and \$530 from sewer ~~these amounts~~ as these amounts they are not related to volumes treated. Rather, they
12 belong in the Other Plant Maintenance account, as they are related to vehicles, and other plant maintenance.⁷ Therefore, Staff reclassified these amounts from
13 the Other Volume Related Expense account to Other Plant Maintenance Account. Staff also recommends adding \$1,148 for chlorine gas cylinders. This
14 amount was reclassified from the Other Plant Maintenance account to the Other Volume Related Expense account as this expense is related to volumes treated.

16 **B. EMPLOYEE LABOR**

17 **Q. WHAT IS WHITE BLUFF'S EMPLOYEE LABOR CLAIM?**

18 A. White Bluff is claiming employee labor of \$80,520 for water, and \$91,440 for sewer.

⁶ Workpapers of Emily Sears, pages 1 and 2.

⁷ Workpapers of Emily Sears, page 4.

1 plant. However, White Bluff allocated his time to water and wastewater.¹¹ Staff removed
2 \$5,460 from water and allocated it to the wastewater treatment plant, for a total salary in the
3 sewer cost of service of \$21,840. Staff has allocated 100% of Jody Bledsoe's time to water,
4 as he only has a water operator license, as well as Dwayne Cota, as he only has an expired
5 water operator license. Staff removed \$13,000 from the sewer cost of service, and allocated
6 it to water, for a total salary of \$26,000 for Mr. Bledsoe. Staff removed \$10,920 from the
7 sewer cost of service, and allocated it to water, for a total salary of \$21,840 for Mr. Cota.

8 Third, in response to Staff RFI 1-6, and RFI 1-8, White Bluff states it is not requesting
9 overtime labor costs in its application.¹² Therefore, no overtime hours were included in
10 Staff's analysis.

11
12 **C. MATERIALS**

13 ~~Q. WHAT IS WHITE BLUFF'S MATERIALS EXPENSE CLAIM?~~

14 ~~A. White Bluff is claiming \$2,913 for water and \$2,581 for sewer.~~

16 ~~Q. WHAT IS THE BASIS FOR WHITE BLUFF'S MATERIALS EXPENSE CLAIM?~~

17 ~~A. White Bluff includes Cleaning Supplies, Smallwares/Tools, Uniforms, Safety Supplies, Other
18 Supplies, and Equipment Fuel in its Materials Expense claim.¹³~~

19

¹¹ Workpapers of Emily Sears, page 7.

¹² Workpapers of Emily Sears, page 8.

¹³ Workpapers of Emily Sears, page 1 and 2.

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

2 A. Staff has been provided additional information in rebuttal that addresses its concerns; therefore, Staff no longer
3 recommends these adjustments. Staff recommends removing \$600 from water, and \$370 from sewer.

4
5 ~~**Q. WHAT IS THE BASIS FOR STAFF'S REMOVAL OF THESE AMOUNTS?**~~

6 ~~A. This amount includes a normalization of the expense for jackets included in the uniform expense. The~~
7 ~~purchase of uniform jackets is not a yearly expense, and was therefore normalized to better reflect the~~
8 ~~annual cost. Staff recommends removing \$135 from water, and \$119 from sewer.~~

9 ~~Staff also removed amounts for radios that were purchased by the golf course, which were included~~
10 ~~in the smallware/tools expense. Staff reviewed invoices for the radios, which showed they were~~
11 ~~shipped to the golf course superintendent. Also included was an email from the shipper which states~~
12 ~~the radios were requested by Danny Holt, who is not listed on the list of employees at the utility.¹⁴~~
13 ~~Therefore, Staff removed the radio expense. Staff recommends removing \$465 from water, and \$251~~
14 ~~from sewer.~~

15
16 **D. CONTRACT WORK**

17 **Q. WHAT IS WHITE BLUFF'S CONTRACT WORK CLAIM?**

18 A. White Bluff is claiming contract work of \$3,298 for water, and \$2,922 for sewer.

19

¹⁴ ~~Workpapers of Emily Sears, pages 12-14.~~

1 **Q. WHAT IS WHITE BLUFF'S BASIS FOR THE CONTRACT WORK CLAIM?**

2 A. White Bluff included customer service labor, mobile phones/pagers, meals and entertainment,
3 and other contract service expenses in the contract work claim.¹⁵

4
5 **Q. WHAT DOES STAFF RECOMMEND FOR CONTRACT WORK?**

6 A. Staff recommends adding removing \$651 to \$723 from the water cost of service, and \$578 to
7 \$212 from the sewer cost of service.

8
9 **Q. WHAT IS THE BASIS FOR REMOVING THESE AMOUNTS?**

10 A. In response to Staff RFI 1-13, White Bluff indicated that it allows certain employees a phone
11 allowance. However, White Bluff does not know the amount of personal use of the phone.¹⁶
12 Therefore, Staff reduced the amount by 50% (\$450 for 12 months), and allocated it between
13 water and sewer (\$239 and \$212 for sewer). Staff has been provided additional information in rebuttal that addresses
14 its concerns regarding the labor transfer for the Trans-Turf crew; therefore, Staff no longer recommends this adjustment. Staff also has removed
15 the Trans-Turf crew amount included in other contract services in the amount of \$484. In response to Staff RFI 1-22, White Bluff did not provide an invoice or
16 contract for the Trans-Turf Crew's services.¹⁷ Additionally, White Bluff claims it is for mowing; however, they only allocated it to the water system.¹⁸ If this
17 expense was for mowing, it would follow that it would be allocated to sewer as well. Therefore, Staff removed this amount from the cost of service. Staff
18 also reclassified \$890 from water and \$790 from sewer for resort G&A related to security from Miscellaneous Expenses to this account
19 because this should have been recorded as an intercompany labor transfer

20

¹⁵ Workpapers of Emily Sears, page 1 and 2.

¹⁶ Workpapers of Emily Sears, page 15.

¹⁷ ~~Workpapers of Emily Sears, page 16.~~

¹⁸ ~~Workpapers of Emily Sears, Page 2.~~

1 E. TRANSPORTATION

2 Q. WHAT IS WHITE BLUFF'S TRANSPORTATION CLAIM?

3 A. White Bluff is claiming \$13,313 for water, and \$11,795 for sewer.

5 Q. WHAT IS WHITE BLUFF'S BASIS FOR ITS TRANSPORTATION CLAIM?

6 A. White Bluff includes vehicle expense, vehicle fuel expense, and vehicle lease in its
7 transportation claim.¹⁹

9 Q. WHAT DOES STAFF RECOMMEND FOR TRANSPORTATION EXPENSE?

10 A. Staff recommends removing \$10,209 from water, \$6,300 from sewer.

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

13 A. In response to Staff RFI 1-14, White Bluff provided invoices for its vehicle fuel expense.²⁰
14 There were several vehicle fuel expense journal entries that were not supported by vehicle logs
15 and receipts/invoices. Therefore, Staff removed these amounts from the cost of service,
16 totaling \$6,447 for water, and 3,388 for sewer.

17 Staff recommends capitalizing the toolbox included in vehicle expenses, and Staff witness Jolie Mathis has
18 included the toolbox on the depreciation schedule in her errata. ~~also removed the costs of purchased tool boxes included~~
19 ~~in the vehicle expenses, as it is not a recurring expense. The amount of the toolbox, including delivery and side mount is~~
20 ~~\$850.~~ This amount was only removed from water, as it was not allocated to sewer.²¹ ~~Expenses included in the~~

¹⁹ Workpapers of Emily Sears, page 1 and 2.

²⁰ Workpapers of Emily Sears, pages 17-20. Items highlighted/checked have receipts/invoices.

²¹ Workpapers of Emily Sears, pages 21 and 22.

1 ~~cost of service must be annually recurring expenses, as this is the amount the utility will collect annually from rates.~~

2 Finally, Staff removed the vehicle lease expense (\$2,912 each for water and sewer), and
3 added this as ~~White Bluff included the vehicle to the White Bluff in its depreciation schedule,~~
4 ~~thereby double counting the vehicle cost.~~²²

5
6 **F. OTHER PLANT MAINTENANCE**

7 **Q. WHAT IS WHITE BLUFF'S CLAIM FOR OTHER PLANT MAINTENANCE?**

8 A. White Bluff is claiming \$41,055 for water and \$100,955 for sewer.

9
10 **Q. WHAT IS WHITE BLUFF'S BASIS FOR ITS OTHER PLANT MAINTENANCE**
11 **CLAIM?**

12 A. White Bluff is including in its other plant maintenance claim R&M Building, R&M Water
13 Plant, R&M Sewer Plant, R&M Distribution Lines, and R&M Collection Lines.²³

14
15 **Q. WHAT IS STAFF'S RECOMMENDATION FOR OTHER PLANT MAINTENANCE?**

16 A. Staff recommends reclassifying ~~\$18,806 \$19,211~~ from other plant maintenance to the depreciation schedule for water and
17 ~~\$83,962 \$76,630~~ for sewer. Staff reclassified a total of \$18,927 for items not included in the depreciation schedule, and
18 removed a total of \$709 for items not supported by receipts or invoices ~~already included in the depreciation schedule.~~

19
20

²² ~~Workpapers of Emily Sears, pages 23-24.~~

²³ Workpapers of Emily Sears, page 1 and 2.

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

2 A. Staff reviewed the invoices submitted by the DDU.²⁴ The amounts moved to the depreciation schedule included
3 items such as booster pumps, well meters, electric panels, grinder pumps, etc. Since these items have lives
4 longer than one year, Staff recommends they be reclassified as assets to the depreciation schedule. For water,
5 Staff staff also reclassified removed the \$1,148 expense for chlorine gas cylinders to the Other Volume Related
6 Expense Account.²⁵ cylinder, as the gas cylinder expenses were included in the Chemical Expense.²⁶

7
8 **G. PROFESSIONAL SERVICES**

9 **Q. WHAT IS WHITE BLUFF'S CLAIM FOR PROFESSIONAL SERVICES?**

10 A. White Bluff is claiming a professional services expense of \$3,937 for sewer.
11

12 **Q. WHAT IS WHITE BLUFF'S BASIS FOR ITS PROFESSIONAL SERVICES CLAIM?**

13 A. White Bluff is including in its professional services claim the amounts related CCN map
14 revisions for application and permit renewal with the Texas Commission on Environmental
15 Quality.²⁷

16
17 **Q. WHAT IS STAFF'S RECOMMENDATION FOR PROFESSIONAL SERVICES?**

18 A. Staff recommends removing \$2,907 for sewer.
19

²⁴ Workpapers of Emily Sears, pages 25-79.

²⁵ Supplemental Workpapers of Emily Sears, page 1-3.

²⁶ Workpapers of Emily Sears, page 27.

²⁷ Workpapers of Emily Sears, page 80.

1 **K. CASH WORKING CAPITAL**

2 **Q. DOES STAFF AGREE WITH THE METHODOLOGY WHITE BLUFF USES TO**
3 **CALCULATE CASH WORKING CAPITAL (CWC)?**

4 A. Yes, Staff agrees with the use of 1/12 of the operation and maintenance expense.

6 **Q. DO STAFF'S RECOMMENDED ADJUSTMENTS TO THE EXPENSES CHANGE**
7 **THE AMOUNT OF CWC?**

8 A. Yes. Staff's total expense adjustments reduce CWC by \$7,328 ~~\$7,622~~ ($\$24,568 - ((1/12)*206,880$
9 $203,353)$) for water, and \$13,656 ~~\$13,141~~ ($\$23,152 - ((1/12)*113,956 + 20,128)$) for sewer.

11 **L. TAXES**

12 **Q. DO STAFF'S RECOMMENDATIONS CHANGE THE AMOUNT OF TAXES IN THIS**
13 **CASE?**

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

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

18 A. Other taxes were reduced by \$2,148 for water, and \$5,025 for sewer. Staff also adjusted other
19 taxes for the removal of the sales tax and title tax for the 2014 Ford, as it is included in the
20 depreciation schedule.⁴¹

21

⁴¹ Workpapers of Emily Sears, page 113.

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

2 A. Federal income taxes were reduced by \$6,011 ~~\$6,435~~ for water, and reduced by \$618 ~~\$3,315~~ for sewer.

3
4 **VI. RATE OF RETURN FOR DDU (WHITE BLUFF AND THE CLIFFS)**

5 **Q. PLEASE DEFINE THE TERM "RATE OF RETURN."**

6 A. Rate of return generally is the amount of revenue an investment generates (in the form of net
7 income), usually expressed as a percentage of the amount of capital invested, over a given
8 period of time. Rate of return is one of the components of the revenue requirement formula.

9
10 **Q. WHAT IS THE STANDARD USED CONCERNING THE REASONABLENESS OF**
11 **RETURN REQUESTED IN THIS PROCEEDING?**

12 A. The standard set forth in 16 Tex. Admin. Code § 24.31(c)(1) states:

13 The Commission shall allow each utility a reasonable opportunity to earn a
14 reasonable rate of return...and shall fix the rate of return in accordance with the
15 following principles. The return should be reasonably sufficient to assure
16 confidence in the financial soundness of the utility and should be adequate,
17 under efficient and economical management, to maintain and support its credit
18 and enable it to raise the money necessary for the proper discharge of its public
19 duties.
20

21 **Q. WHAT CONSTITUTES A FAIR AND REASONABLE OVERALL RATE OF**
22 **RETURN?**

23 A. A fair and reasonable overall rate of return is one which will allow the utility the opportunity
24 to recover those costs prudently incurred by all classes of capital used to finance the rate base
25 during the prospective period in which its rates will be in effect. *The Bluefield Water Works*
26 *& Improvements Co. v. Public Service Comm'n of West Virginia*, 292 U.S. 679, 692-93

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

Attachment ES-3 ERRATA Staff Schedule I
Revenue Requirement

	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	\$ 294,397	\$ 415	\$ 294,812	\$ (87,932)	\$ 206,880
Depreciation and Amortization Expense	\$ 78,805	\$ 31,272	\$ 110,077	\$ 1,078	\$ 111,155
Taxes Other Than Income	\$ 70,146	\$ (5,975)	\$ 64,171	\$ (2,148)	\$ 62,023
Federal Income Taxes	\$ -	\$ 18,378	\$ 18,378	\$ (6,011)	\$ 12,367
Return on Invested Capital	\$ 30,106	\$ 56,379	\$ 86,485	\$ (37,096)	\$ 49,390
TOTAL	\$ 473,454	\$ 100,469	\$ 573,924	\$ (132,109)	\$ 441,815
Other Revenues - Taps, Recon, late fee, Etc.			\$ (5,163)	\$ (3,600)	\$ (8,763)
Revenue Requirement Used to Set Rates	\$ 473,454	\$ -	\$ 568,761	\$ (135,709)	\$ 433,052

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

Attachment ES-3 ERRATA Staff Schedule II
O&M Expense

Acct. No.	ACCOUNT	Test Year Total	Company Adjustments To Test Year	Company	Staff	Staff Adjusted Total
				Requested Test Year Total	Adjustments To Company Request	
		(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
610	PURCHASED WATER	\$ -		\$ -		\$ -
615	POWER EXPENSE-PRODUCTION ONLY	\$ 73,303		\$ 73,303		\$ 73,303
618	OTHER VOLUME RELATED EXPENSES	\$ 8,289		\$ 8,289	\$ 318	\$ 8,607
601-1	EMPLOYEE LABOR	\$ 80,105	\$ 415	\$ 80,520	\$ (3,380)	\$ 77,140
620	MATERIALS	\$ 2,913		\$ 2,913	\$ -	\$ 2,913
631-636	CONTRACT WORK	\$ 3,298		\$ 3,298	\$ 651	\$ 3,949
650	TRANSPORTATION EXPENSES	\$ 13,313		\$ 13,313	\$ (10,209)	\$ 3,104
664	OTHER PLANT MAINTENANCE	\$ 41,055		\$ 41,055	\$ (18,806)	\$ 22,249
601-2	OFFICE SALARIES	\$ -		\$ -		\$ -
601-3	MANAGEMENT SALARIES	\$ -		\$ -		\$ -
604	EMPLOYEE PENSIONS & BENEFITS	\$ -		\$ -		\$ -
615	PURCHASED POWER-OFFICE ONLY	\$ -		\$ -		\$ -
670	BAD DEBT EXPENSE	\$ -		\$ -		\$ -
676	OFFICE SERVICES & RENTALS	\$ -		\$ -		\$ -
677	OFFICE SUPPLIES & EXPENSES	\$ 8,716		\$ 8,716		\$ 8,716
678	PROFESSIONAL SERVICES	\$ -		\$ -		\$ -
684	INSURANCE	\$ 9,668		\$ 9,668	\$ (4,815)	\$ 4,853
666	REGULATORY EXPENSE (RATE CASE)	\$ -		\$ -		\$ -
667	REGULATORY EXPENSE (OTHER)	\$ 24,476		\$ 24,476	\$ (23,291)	\$ 1,185
675	MISCELLANEOUS	\$ 29,261		\$ 29,261	\$ (28,400)	\$ 861
	TOTAL	\$ 294,397	\$ 415	\$ 294,812	\$ (87,932)	\$ 206,880

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

Attachment ES-3 ERRATA Staff Schedule III
 Invested Capital

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
INVESTED CAPITAL	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
Plant in Service	\$ 3,791,956		\$ 3,791,956	\$ 16,630	\$ 3,808,586
Accumulated Depreciation	\$ (1,603,728)		\$ (1,603,728)	\$ 1,709	\$ (1,602,019)
			\$ -		
Net Plant in Service	\$ 2,188,228	\$ -	\$ 2,188,228	\$ 18,339	\$ 2,206,567
			\$ -		
Working Cash Allowance	\$ 24,568		\$ 24,568	\$ (7,328)	\$ 17,240
Materials and Supplies			\$ -		
Prepayments			\$ -		
Customer Advances Construction			\$ -		
Developer Contribution in Aid of Construction	\$ (1,186,227)		\$ (1,186,227)	\$ 23	\$ (1,186,204)
Customer Deposits			\$ -		
Regulatory Assets			\$ -		
Accumulated DFIT			\$ -		\$ (327,979)
Regulatory Liabilities			\$ -		
			\$ -		
TOTAL INVESTED CAPITAL (RATE BASE)	\$ 1,026,569	\$ -	\$ 1,026,569	\$ 11,034	\$ 709,624
RATE OF RETURN			8.42%		6.96%
RETURN ON INVESTED CAPITAL	\$ 30,106	\$ 56,379	\$ 86,485	\$ (37,096)	\$ 49,390

SOAH DOCKET NO.	473-17-0117.WS	Attachment ES-3 ERRATA Staff Schedule V
PUC DOCKET NO.	46245	Federal Income Taxes
COMPANY NAME	Double Diamond Utility Company, Inc. - White Bluff Subdivision - Water	
TEST YEAR END	31-Dec-15	

	Test Year Total	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
	(a)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
FEDERAL INCOME TAXES				
Return	Total	\$ 215,209		\$ 156,165
Less				
Interest Included in Return		\$ 85,579		\$ 52,055
Plus				
Other Adjustments				
TAXABLE COMPONENT OF RETURN		\$ 129,630		\$ 104,110
TAX RATE		26%		39%
TAX FACTOR	(1/(1-TR))*(TR)	0.351351351		0.639344262
FEDERAL INCOME TAX BEFORE ADJUSTMENTS		\$ 45,545.68	\$ -	\$ 66,562.05
LESS				
Surtax Exemption		\$ -		\$ (27,459)
TOTAL FEDERAL INCOME TAXES		\$ 45,546		\$ 39,103
Allocation Factor	(White Bluff Water NI/Total White Bluff NI)	40.35%		31.63%
Allocated to White Bluff - Water		\$ 18,378		\$ 12,367

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

Attachment ES-4 ERRATA Staff Schedule I
Revenue Requirement

	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	\$ 257,348	\$ 20,472	\$ 277,820	\$ (163,864)	\$ 113,956
Depreciation and Amortization Expense	\$ 69,816	\$ 14,884	\$ 84,700	\$ 12,188	\$ 96,888
Taxes Other Than Income	\$ 62,144	\$ (4,038)	\$ 58,106	\$ (5,025)	\$ 53,081
Federal Income Taxes	\$ -	\$ 27,354	\$ 27,354	\$ (618)	\$ 26,736
Return on Invested Capital	\$ 721	\$ 128,003	\$ 128,724	\$ (21,949)	\$ 106,775
TOTAL	\$ 390,029	\$ -	\$ 576,704	\$ (179,268)	\$ 397,436
Other Revenues - Taps, Recon, late fee, Etc.			\$ (4,574)	\$ -	(4574)
Revenue Requirement Used to Set Rates	\$ 390,029	\$ 186,675	\$ 572,130	\$ (179,268)	\$ 392,862

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

Attachment ES-4 ERRATA Staff Schedule II
O&M Expense

OPERATIONS AND MAINTENANCE EXPENSE		Test Year	Company	Company	Staff	Staff
		Total	Adjustments	Requested	Adjustments	Adjusted
Acct. No.	ACCOUNT	(a)	To Test Year	Total	To Company	Total
		(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
610	PURCHASED WATER	\$0.00		\$0.00		\$0.00
615	POWER EXPENSE-PRODUCTION ONLY	\$12,020.00		\$12,020.00		\$12,020.00
618	OTHER VOLUME RELATED EXPENSES	\$2,409.00		\$2,409.00	(\$530.00)	\$1,879.00
601-1	EMPLOYEE LABOR	\$70,968.00	\$20,472.00	\$91,440.00	(\$40,300.00)	\$51,140.00
620	MATERIALS	\$2,581.00		\$2,581.00		\$2,581.00
631-636	CONTRACT WORK	\$2,922.00		\$2,922.00	\$578.00	\$3,500.00
650	TRANSPORTATION EXPENSES	\$11,795.00		\$11,795.00	(\$6,300.00)	\$5,495.00
664	OTHER PLANT MAINTENANCE	\$100,955.00		\$100,955.00	(\$83,962.00)	\$16,993.00
601-2	OFFICE SALARIES	\$0.00		\$0.00		\$0.00
601-3	MANAGEMENT SALARIES	\$0.00		\$0.00		\$0.00
604	EMPLOYEE PENSIONS & BENEFITS	\$0.00		\$0.00		\$0.00
615	PURCHASED POWER-OFFICE ONLY	\$0.00		\$0.00		\$0.00
670	BAD DEBT EXPENSE	\$0.00		\$0.00		\$0.00
676	OFFICE SERVICES & RENTALS	\$0.00		\$0.00		\$0.00
677	OFFICE SUPPLIES & EXPENSES	\$7,722.00		\$7,722.00		\$7,722.00
678	PROFESSIONAL SERVICES	\$3,937.00		\$3,937.00	(\$2,907.00)	\$1,030.00
684	INSURANCE	\$8,566.00		\$8,566.00	(\$1,500.00)	\$7,066.00
666	REGULATORY EXPENSE (RATE CASE)	\$0.00		\$0.00		\$0.00
667	REGULATORY EXPENSE (OTHER)	\$7,049.00		\$7,049.00	(\$2,519.00)	\$4,530.00
675	MISCELLANEOUS	\$26,424.00		\$26,424.00	(\$26,424.00)	\$0.00
TOTAL		\$257,348	\$20,472	\$277,820	(\$163,864)	\$113,956

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

Attachment ES-4 ERRATA Staff Schedule III
Invested Capital

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
INVESTED CAPITAL	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
Plant in Service	\$ 2,847,336		\$ 2,847,336	\$ 106,486	\$ 2,953,822
Accumulated Depreciation	\$ (1,205,081)		\$ (1,205,081)	\$ (1,284)	\$ (1,206,365)
Net Plant in Service	\$ 1,642,255	\$ -	\$ 1,642,255	\$ 105,202	\$ 1,747,457
Working Cash Allowance	\$ 23,152		\$ 23,152	\$ (13,656)	\$ 9,496
Materials and Supplies					
Prepayments					
Customer Advances Construction					
Developer Contribution in Aid of Construction	\$ (137,457)		\$ (137,457)	\$ (53,998)	\$ (191,455)
Customer Deposits					
Regulatory Assets					
Accumulated DFIT					\$ (31,375)
Regulatory Liabilities					
TOTAL INVESTED CAPITAL (RATE BASE)	\$ 1,527,950	\$ -	\$ 1,527,950	\$ 37,548	\$ 1,534,123
RATE OF RETURN			8.42%		6.96%
RETURN ON INVESTED CAPITAL	\$ 721	\$ 128,003	\$ 128,724	\$ (21,949)	\$ 106,775

SOAH DOCKET NO.	473-17-0117.WS	Attachment ES-4 ERRATA Staff Schedule V
PUC DOCKET NO.	46245	Federal Income Taxes
COMPANY NAME	Double Diamond Utility Company, Inc. - White Bluff Subdivision - Sewer	
TEST YEAR END	31-Dec-15	

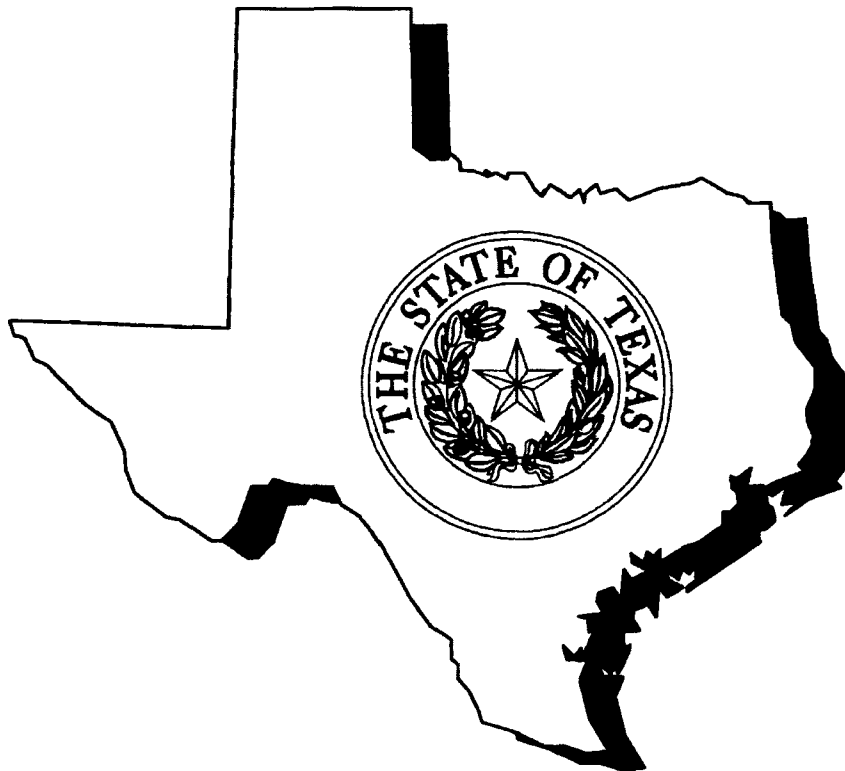
	Test Year Total	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
<u>FEDERAL INCOME TAXES</u>	(a)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
Return	Total	\$ 215,209.00		\$ 156,164.81
Less				
Interest Included in Return		\$ 85,579.00		\$ 52,054.94
Plus				
Other Adjustments				
<u>TAXABLE COMPONENT OF RETURN</u>		<u>\$ 129,630.00</u>		<u>\$ 104,109.88</u>
TAX RATE		26%		39%
TAX FACTOR (1/(1-TR))*(TR)		0.351351351		0.639344262
<u>FEDERAL INCOME TAX BEFORE ADJUSTMENTS</u>		<u>\$ 45,545.68</u>		<u>\$ 66,562.05</u>
LESS				
Surtax Exemption		\$ -		\$ (27,459.00)
<u>TOTAL FEDERAL INCOME TAXES</u>		<u>\$ 45,545.68</u>		<u>\$ 39,103.05</u>
Allocation Factor (White Bluff Sewer NI/Total White Bluff NI)		60.06%		68.37%
<u>Allocated to White Bluff - Sewer</u>		<u>\$ 27,354.00</u>		<u>\$ 26,736.03</u>

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

**APPLICATION OF DOUBLE DIAMOND
UTILITY COMPANY, INC. FOR A
RATE/TARIFF CHANGE**

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**BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE
HEARINGS**



**ERRATA TO THE DIRECT TESTIMONY OF
EMILY SEARS
WATER UTILITY REGULATION
PUBLIC UTILITY COMMISSION OF TEXAS
SEPTEMBER 22, 2017**

1 **Q. WHAT REVENUE REQUIREMENT IS STAFF RECOMMENDING FOR WHITE**
2 **BLUFF IN THIS CASE?**

3 A. Staff recommends a revenue requirement for White Bluff of $\$441,815 = \$206,880 +$
4 $\$111,155 + \$74,390 + (\$709,624 \times 6.96\%)$ for water, and $\$397,436 = \$113,956 + \$96,888 +$
5 $\$79,817 + (\$1,534,123 \times 6.96\%)$ for sewer.¹

6
7 **Q. WHAT IS WHITE BLUFF'S CLAIM FOR OTHER REVENUES?**

8 A. White Bluff claimed other revenues of \$5,163 for water, and \$4,574 for sewer.

9
10 **Q. WHAT IS THE BASIS FOR WHITE BLUFF'S CLAIM?**

11 A. White Bluff included late fees, reconnect fees, and other fees.²

12
13 **Q. WHAT AMOUNT DOES STAFF RECOMMEND FOR OTHER REVENUES FOR**
14 **WATER?**

15 A. Staff recommends an addition of \$3,600 for water, and no adjustment for sewer.

16
17 **Q. WHAT IS THE BASIS FOR THIS ADDITION FOR WATER?**

18 A. In White Bluff's general ledger, there were other revenues of \$300 monthly from Nextlink.³
19 Typically, income received from an internet/phone company is from allowing a company such
20 as Nextlink to install cell phone antennae on top of the water towers. Since this is an

¹ Attachment ES-3, ERRATA Staff Schedule I.

² Workpapers of Emily Sears, page 1 and 2.

³ Workpapers of Emily Sears, page 3.

1 additional source of revenues with no offsetting expense, Staff has added it to the water other
2 revenues.

3
4 **Q. WHAT ARE RESULTING REVENUE REQUIREMENTS USED TO SET RATES?**

5 A. With the removal of the other revenues from the revenue requirement, the revenue
6 requirement used to set rates is \$433,052 for water, and \$392,862 for sewer.

7
8 **IV. EXPENSE ADJUSTMENT SUMMARY FOR WHITE BLUFF**

9 **Q. PLEASE SUMMARIZE STAFF'S RECOMMENDED ADJUSTMENTS TO**
10 **OPERATION AND MAINTENANCE EXPENSES FOR WHITE BLUFF.**

11 A. Staff recommends adjusting the following for water:⁴

Account Name	Company Request	Staff's Adjustment	Staff's Recommended Allowance
Other Volume Related Expenses	\$8,289	\$318	\$8,607
Total Employee Labor	\$80,520	(\$3,380)	\$77,140
Total Contract Work	\$3,298	\$651	\$3,949
Total Transportation	\$13,313	(\$10,209)	\$3,104
Total Other Plant Maintenance	\$41,055	(\$18,806)	\$22,249
Total Insurance	\$9,668	(\$4,815)	\$4,853
Total Regulatory Expense	\$24,476	(\$23,291)	\$1,185
Total Miscellaneous	\$29,261	(\$28,400)	\$861
Total O&M Adjustments		(\$87,932)	

⁴ Attachment ES-3, ERRATA Staff Schedule II.

1 Staff recommends adjusting the following for sewer:⁵

Account Name	Company Request	Staff's Adjustment	Staff's Recommended Allowance
Other Volume Related Expenses	\$2,409	(\$530)	\$1,879
Employee Labor	\$91,440	(\$40,300)	\$51,140
Total Contract Work	\$2,922	\$578	\$3,500
Total Transportation	\$11,795	(\$6,300)	\$5,495
Total Other Plant Maintenance	\$100,955	(\$83,962)	\$16,993
Professional Services	\$3,937	(\$2,907)	\$1,030
Total Insurance	\$8,566	(\$1,500)	\$7,066
Regulatory Expense	\$7,049	(\$2,519)	\$4,530
Total Miscellaneous	\$26,424	(\$26,424)	\$0
Total O&M Adjustments		(\$163,864)	

2

3 **V. EXPENSE ADJUSTMENTS**

4 **A. OTHER VOLUME RELATED EXPENSES**

5 **Q. WHAT IS WHITE BLUFF'S OTHER VOLUME RELATED EXPENSES CLAIM?**

6 A. White Bluff is claiming volume related expenses of \$8,289 for water, and \$2,409 for sewer.

7

8

⁵ Attachment ES-4, ERRATA Staff Schedule II.

1 **Q. WHAT IS WHITE BLUFF'S BASIS FOR THE OTHER VOLUME RELATED**
2 **EXPENSES CLAIM?**

3 A. White Bluff includes in its other volume related expenses claim repair and maintenance
4 chemicals, and repair and maintenance equipment.⁶

6 **Q. WHAT DOES STAFF RECOMMEND FOR OTHER VOLUME RELATED**
7 **EXPENSES?**

8 A. Staff recommends an addition of \$318 to water, and removing \$530 from sewer.

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

11 A. Staff recommends removing \$830 from water and \$530 from sewer as these amounts are not related
12 to volumes treated. Rather, they belong in the Other Plant Maintenance account, as they are related
13 to vehicles, and other plant maintenance.⁷ Therefore, Staff reclassified these amounts from the Other
14 Volume Related Expense account to Other Plant Maintenance Account. Staff also recommends
15 adding \$1,148 for chlorine gas cylinders. This amount was reclassified from the Other Plant
16 Maintenance account to the Other Volume Related Expense account as this expense is related to
17 volumes treated.

19 **B. EMPLOYEE LABOR**

20 **Q. WHAT IS WHITE BLUFF'S EMPLOYEE LABOR CLAIM?**

21 A. White Bluff is claiming employee labor of \$80,520 for water, and \$91,440 for sewer.

22 _____
⁶ Workpapers of Emily Sears, pages 1 and 2.

⁷ Workpapers of Emily Sears, page 4.

1 plant. However, White Bluff allocated his time to water and wastewater.¹¹ Staff removed
2 \$5,460 from water and allocated it to the wastewater treatment plant, for a total salary in the
3 sewer cost of service of \$21,840. Staff has allocated 100% of Jody Bledsoe's time to water,
4 as he only has a water operator license, as well as Dwayne Cota, as he only has an expired
5 water operator license. Staff removed \$13,000 from the sewer cost of service, and allocated
6 it to water, for a total salary of \$26,000 for Mr. Bledsoe. Staff removed \$10,920 from the
7 sewer cost of service, and allocated it to water, for a total salary of \$21,840 for Mr. Cota.

8 Third, in response to Staff RFI 1-6, and RFI 1-8, White Bluff states it is not requesting
9 overtime labor costs in its application.¹² Therefore, no overtime hours were included in
10 Staff's analysis.

11
12 **C. MATERIALS**
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¹¹ Workpapers of Emily Sears, page 7.

¹² Workpapers of Emily Sears, page 8.

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

2 A. Staff has been provided additional information in rebuttal that addresses its concerns;
3 therefore, Staff no longer recommends these adjustments.
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16 **D. CONTRACT WORK**

17 **Q. WHAT IS WHITE BLUFF'S CONTRACT WORK CLAIM?**

18 A. White Bluff is claiming contract work of \$3,298 for water, and \$2,922 for sewer.
19

1 **Q. WHAT IS WHITE BLUFF'S BASIS FOR THE CONTRACT WORK CLAIM?**

2 A. White Bluff included customer service labor, mobile phones/pagers, meals and entertainment,
3 and other contract service expenses in the contract work claim.¹³

4
5 **Q. WHAT DOES STAFF RECOMMEND FOR CONTRACT WORK?**

6 A. Staff recommends adding \$651 to the water cost of service, and \$578 to the sewer cost of
7 service.

8
9 **Q. WHAT IS THE BASIS FOR REMOVING THESE AMOUNTS?**

10 A. In response to Staff RFI 1-13, White Bluff indicated that it allows certain employees a phone
11 allowance. However, White Bluff does not know the amount of personal use of the phone.¹⁴
12 Therefore, Staff reduced the amount by 50% (\$450 for 12 months), and allocated it between
13 water and sewer (\$239 and \$212 for sewer). Staff has been provided additional information
14 in rebuttal that addresses its concerns regarding the labor transfer for the Trans-Turf crew;
15 therefore, Staff no longer recommends this adjustment. Staff also reclassified \$890 from
16 water and \$790 from sewer for resort G&A related to security from Miscellaneous Expenses
17 to this account because this should have been recorded as an intercompany labor transfer.

18

¹³ Workpapers of Emily Sears, page 1 and 2.

¹⁴ Workpapers of Emily Sears, page 15.

1 **E. TRANSPORTATION**

2 **Q. WHAT IS WHITE BLUFF’S TRANSPORTATION CLAIM?**

3 A. White Bluff is claiming \$13,313 for water, and \$11,795 for sewer.

5 **Q. WHAT IS WHITE BLUFF’S BASIS FOR ITS TRANSPORTATION CLAIM?**

6 A. White Bluff includes vehicle expense, vehicle fuel expense, and vehicle lease in its
7 transportation claim.¹⁵

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

10 A. Staff recommends removing \$10,209 from water, \$6,300 from sewer.

12 **Q. WHAT IS THE BASIS FOR STAFF’S REMOVAL OF THESE AMOUNTS?**

13 A. In response to Staff RFI 1-14, White Bluff provided invoices for its vehicle fuel expense.¹⁶
14 There were several vehicle fuel expense journal entries that were not supported by vehicle logs
15 and receipts/invoices. Therefore, Staff removed these amounts from the cost of service,
16 totaling \$6,447 for water, and 3,388 for sewer.

17 Staff recommends capitalizing the toolbox included in vehicle expenses, and Staff witness
18 Jolie Mathis has included the toolbox on the depreciation schedule in her errata. This amount
19 was only removed from water, as it was not allocated to sewer.¹⁷

15 Workpapers of Emily Sears, page 1 and 2.

16 Workpapers of Emily Sears, pages 17-20. Items highlighted/checked have receipts/invoices.

17 Workpapers of Emily Sears, pages 21 and 22.

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Finally, Staff removed the vehicle lease expense (\$2,912 each for water and sewer), and added this vehicle to the White Bluff depreciation schedule.

F. OTHER PLANT MAINTENANCE

Q. WHAT IS WHITE BLUFF’S CLAIM FOR OTHER PLANT MAINTENANCE?

A. White Bluff is claiming \$41,055 for water and \$100,955 for sewer.

Q. WHAT IS WHITE BLUFF’S BASIS FOR ITS OTHER PLANT MAINTENANCE CLAIM?

A. White Bluff is including in its other plant maintenance claim R&M Building, R&M Water Plant, R&M Sewer Plant, R&M Distribution Lines, and R&M Collection Lines.¹⁸

Q. WHAT IS STAFF’S RECOMMENDATION FOR OTHER PLANT MAINTENANCE?

A. Staff recommends reclassifying \$18,806 from other plant maintenance to the depreciation schedule for water and \$83,962 for sewer. Staff reclassified a total of \$18,927 for items not included in the depreciation schedule, and removed a total of \$709 for items not supported by receipts or invoices.

¹⁸ Workpapers of Emily Sears, page 1 and 2.

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

2 A. Staff reviewed the invoices submitted by the DDU.¹⁹ The amounts moved to the depreciation
3 schedule included items such as booster pumps, well meters, electric panels, grinder pumps,
4 etc. Since these items have lives longer than one year, Staff recommends they be reclassified
5 as assets. For water, Staff also reclassified the \$1,148 expense for chlorine gas cylinders to
6 the Other Volume Related Expense Account.²⁰

7
8 **G. PROFESSIONAL SERVICES**

9 **Q. WHAT IS WHITE BLUFF'S CLAIM FOR PROFESSIONAL SERVICES?**

10 A. White Bluff is claiming a professional services expense of \$3,937 for sewer.
11

12 **Q. WHAT IS WHITE BLUFF'S BASIS FOR ITS PROFESSIONAL SERVICES CLAIM?**

13 A. White Bluff is including in its professional services claim the amounts related CCN map
14 revisions for application and permit renewal with the Texas Commission on Environmental
15 Quality.²¹

16
17 **Q. WHAT IS STAFF'S RECOMMENDATION FOR PROFESSIONAL SERVICES?**

18 A. Staff recommends removing \$2,907 for sewer.
19

¹⁹ Workpapers of Emily Sears, pages 25-79.

²⁰ Supplemental Workpapers of Emily Sears, page 1-3.

²¹ Workpapers of Emily Sears, page 80.

K. CASH WORKING CAPITAL

Q. DOES STAFF AGREE WITH THE METHODOLOGY WHITE BLUFF USES TO CALCULATE CASH WORKING CAPITAL (CWC)?

A. Yes, Staff agrees with the use of 1/12 of the operation and maintenance expense.

Q. DO STAFF'S RECOMMENDED ADJUSTMENTS TO THE EXPENSES CHANGE THE AMOUNT OF CWC?

A. Yes. Staff's total expense adjustments reduce CWC by \$7,328 ($\$24,568 - ((1/12)*206,880)$) for water, and \$13,656 ($\$23,152 - ((1/12)*113,956)$) for sewer.

L. TAXES

Q. DO STAFF'S RECOMMENDATIONS CHANGE THE AMOUNT OF TAXES IN THIS CASE?

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

Q. WHAT IS THE REDUCTION TO OTHER TAXES?

A. Other taxes were reduced by \$2,148 for water, and \$5,025 for sewer. Staff also adjusted other taxes for the removal of the sales tax and title tax for the 2014 Ford, as it is included in the depreciation schedule.³⁵

³⁵ Workpapers of Emily Sears, page 113.

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

2 A. Federal income taxes were reduced by \$6,011 for water, and reduced by \$618 for sewer.

3
4 **VI. RATE OF RETURN FOR DDU (WHITE BLUFF AND THE CLIFFS)**

5 **Q. PLEASE DEFINE THE TERM "RATE OF RETURN."**

6 A. Rate of return generally is the amount of revenue an investment generates (in the form of net
7 income), usually expressed as a percentage of the amount of capital invested, over a given
8 period of time. Rate of return is one of the components of the revenue requirement formula.

9
10 **Q. WHAT IS THE STANDARD USED CONCERNING THE REASONABLENESS OF**
11 **RETURN REQUESTED IN THIS PROCEEDING?**

12 A. The standard set forth in 16 Tex. Admin. Code § 24.31(c)(1) states:

13 The Commission shall allow each utility a reasonable opportunity to earn a
14 reasonable rate of return...and shall fix the rate of return in accordance with the
15 following principles. The return should be reasonably sufficient to assure
16 confidence in the financial soundness of the utility and should be adequate,
17 under efficient and economical management, to maintain and support its credit
18 and enable it to raise the money necessary for the proper discharge of its public
19 duties.
20

21 **Q. WHAT CONSTITUTES A FAIR AND REASONABLE OVERALL RATE OF**
22 **RETURN?**

23 A. A fair and reasonable overall rate of return is one which will allow the utility the opportunity
24 to recover those costs prudently incurred by all classes of capital used to finance the rate base
25 during the prospective period in which its rates will be in effect. *The Bluefield Water Works*
26 *& Improvements Co. v. Public Service Comm'n of West Virginia*, 292 U.S. 679, 692-93

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

Attachment ES-3 ERRATA Staff Schedule I
Revenue Requirement

	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	\$ 294,397	\$ 415	\$ 294,812	\$ (87,932)	\$ 206,880
Depreciation and Amortization Expense	\$ 78,805	\$ 31,272	\$ 110,077	\$ 1,078	\$ 111,155
Taxes Other Than Income	\$ 70,146	\$ (5,975)	\$ 64,171	\$ (2,148)	\$ 62,023
Federal Income Taxes	\$ -	\$ 18,378	\$ 18,378	\$ (6,011)	\$ 12,367
Return on Invested Capital	\$ 30,106	\$ 56,379	\$ 86,485	\$ (37,096)	\$ 49,390
TOTAL	\$ 473,454	\$ 100,469	\$ 573,924	\$ (132,109)	\$ 441,815
Other Revenues - Taps, Recon, late fee, Etc.			\$ (5,163)	\$ (3,600)	\$ (8,763)
Revenue Requirement Used to Set Rates	\$ 473,454	\$ -	\$ 568,761	\$ (135,709)	\$ 433,052

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

Attachment ES-3 ERRATA Staff Schedule II
O&M Expense

Acct. No.	ACCOUNT	Test Year Total (a)	Company Adjustments To Test Year (b)	Company	Staff	Staff Adjusted Total (e)=(c)+(d)
				Requested Test Year Total (c)=(a)+(b)	Adjustments To Company Request (d)	
610	PURCHASED WATER	\$ -		\$ -		\$ -
615	POWER EXPENSE-PRODUCTION ONLY	\$ 73,303		\$ 73,303		\$ 73,303
618	OTHER VOLUME RELATED EXPENSES	\$ 8,289		\$ 8,289	\$ 318	\$ 8,607
601-1	EMPLOYEE LABOR	\$ 80,105	\$ 415	\$ 80,520	\$ (3,380)	\$ 77,140
620	MATERIALS	\$ 2,913		\$ 2,913	\$ -	\$ 2,913
631-636	CONTRACT WORK	\$ 3,298		\$ 3,298	\$ 651	\$ 3,949
650	TRANSPORTATION EXPENSES	\$ 13,313		\$ 13,313	\$ (10,209)	\$ 3,104
664	OTHER PLANT MAINTENANCE	\$ 41,055		\$ 41,055	\$ (18,806)	\$ 22,249
601-2	OFFICE SALARIES	\$ -		\$ -		\$ -
601-3	MANAGEMENT SALARIES	\$ -		\$ -		\$ -
604	EMPLOYEE PENSIONS & BENEFITS	\$ -		\$ -		\$ -
615	PURCHASED POWER-OFFICE ONLY	\$ -		\$ -		\$ -
670	BAD DEBT EXPENSE	\$ -		\$ -		\$ -
676	OFFICE SERVICES & RENTALS	\$ -		\$ -		\$ -
677	OFFICE SUPPLIES & EXPENSES	\$ 8,716		\$ 8,716		\$ 8,716
678	PROFESSIONAL SERVICES	\$ -		\$ -		\$ -
684	INSURANCE	\$ 9,668		\$ 9,668	\$ (4,815)	\$ 4,853
666	REGULATORY EXPENSE (RATE CASE)	\$ -		\$ -		\$ -
667	REGULATORY EXPENSE (OTHER)	\$ 24,476		\$ 24,476	\$ (23,291)	\$ 1,185
675	MISCELLANEOUS	\$ 29,261		\$ 29,261	\$ (28,400)	\$ 861
	TOTAL	\$ 294,397	\$ 415	\$ 294,812	\$ (87,932)	\$ 206,880

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

Attachment ES-3 ERRATA Staff Schedule III
Invested Capital

	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	\$ 3,791,956		\$ 3,791,956	\$ 16,630	\$ 3,808,586
Accumulated Depreciation	\$ (1,603,728)		\$ (1,603,728)	\$ 1,709	\$ (1,602,019)
Net Plant in Service	\$ 2,188,228	\$ -	\$ 2,188,228	\$ 18,339	\$ 2,206,567
Working Cash Allowance	\$ 24,568		\$ 24,568	\$ (7,328)	\$ 17,240
Materials and Supplies			\$ -		
Prepayments			\$ -		
Customer Advances Construction			\$ -		
Developer Contribution in Aid of Construction	\$ (1,186,227)		\$ (1,186,227)	\$ 23	\$ (1,186,204)
Customer Deposits			\$ -		
Regulatory Assets			\$ -		
Accumulated DFIT			\$ -		\$ (327,979)
Regulatory Liabilities			\$ -		
TOTAL INVESTED CAPITAL (RATE BASE)	\$ 1,026,569	\$ -	\$ 1,026,569	\$ 11,034	\$ 709,624
RATE OF RETURN			8.42%		6.96%
RETURN ON INVESTED CAPITAL	\$ 30,106	\$ 56,379	\$ 86,485	\$ (37,096)	\$ 49,390

SOAH DOCKET NO.	473-17-0117.WS	Attachment ES-3 ERRATA Staff Schedule V
PUC DOCKET NO.	46245	Federal Income Taxes
COMPANY NAME	Double Diamond Utility Company, Inc. - White Bluff Subdivision - Water	
TEST YEAR END	31-Dec-15	

	Test Year Total	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
	(a)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
<u>FEDERAL INCOME TAXES</u>				
Return	Total	\$ 215,209		\$ 156,165
Less				
Interest Included in Return		\$ 85,579		\$ 52,055
Plus				
Other Adjustments				
<u>TAXABLE COMPONENT OF RETURN</u>		\$ 129,630		\$ 104,110
TAX RATE		26%		39%
TAX FACTOR	$(1/(1-TR))*(TR)$	0.351351351		0.639344262
<u>FEDERAL INCOME TAX BEFORE ADJUSTMENTS</u>		\$ 45,545.68	\$ -	\$ 66,562.05
LESS				
Surtax Exemption		\$ -		\$ (27,459)
<u>TOTAL FEDERAL INCOME TAXES</u>		\$ 45,546		\$ 39,103
Allocation Factor	(White Bluff Water NI/Total White Bluff NI)	40.35%		31.63%
<u>Allocated to White Bluff - Water</u>		\$ 18,378		\$ 12,367

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

Attachment ES-4 ERRATA Staff Schedule I
Revenue Requirement

	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	\$ 257,348	\$ 20,472	\$ 277,820	\$ (163,864)	\$ 113,956
Depreciation and Amortization Expense	\$ 69,816	\$ 14,884	\$ 84,700	\$ 12,188	\$ 96,888
Taxes Other Than Income	\$ 62,144	\$ (4,038)	\$ 58,106	\$ (5,025)	\$ 53,081
Federal Income Taxes	\$ -	\$ 27,354	\$ 27,354	\$ (618)	\$ 26,736
Return on Invested Capital	\$ 721	\$ 128,003	\$ 128,724	\$ (21,949)	\$ 106,775
TOTAL	\$ 390,029	\$ -	\$ 576,704	\$ (179,268)	\$ 397,436
Other Revenues - Taps, Recon, late fee, Etc.			\$ (4,574)	\$ -	(4574)
Revenue Requirement Used to Set Rates	\$ 390,029	\$ 186,675	\$ 572,130	\$ (179,268)	\$ 392,862

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

Attachment ES-4 ERRATA Staff Schedule II
O&M Expense

OPERATIONS AND MAINTENANCE EXPENSE		Test Year	Company	Company	Staff	Staff
		Total	Adjustments	Requested	Adjustments	Adjusted
			To Test Year	Test Year	To Company	Total
Acct. No.	ACCOUNT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
610	PURCHASED WATER	\$0.00		\$0.00		\$0.00
615	POWER EXPENSE-PRODUCTION ONLY	\$12,020.00		\$12,020.00		\$12,020.00
618	OTHER VOLUME RELATED EXPENSES	\$2,409.00		\$2,409.00	(\$530.00)	\$1,879.00
601-1	EMPLOYEE LABOR	\$70,968.00	\$20,472.00	\$91,440.00	(\$40,300.00)	\$51,140.00
620	MATERIALS	\$2,581.00		\$2,581.00		\$2,581.00
631-636	CONTRACT WORK	\$2,922.00		\$2,922.00	\$578.00	\$3,500.00
650	TRANSPORTATION EXPENSES	\$11,795.00		\$11,795.00	(\$6,300.00)	\$5,495.00
664	OTHER PLANT MAINTENANCE	\$100,955.00		\$100,955.00	(\$83,962.00)	\$16,993.00
601-2	OFFICE SALARIES	\$0.00		\$0.00		\$0.00
601-3	MANAGEMENT SALARIES	\$0.00		\$0.00		\$0.00
604	EMPLOYEE PENSIONS & BENEFITS	\$0.00		\$0.00		\$0.00
615	PURCHASED POWER-OFFICE ONLY	\$0.00		\$0.00		\$0.00
670	BAD DEBT EXPENSE	\$0.00		\$0.00		\$0.00
676	OFFICE SERVICES & RENTALS	\$0.00		\$0.00		\$0.00
677	OFFICE SUPPLIES & EXPENSES	\$7,722.00		\$7,722.00		\$7,722.00
678	PROFESSIONAL SERVICES	\$3,937.00		\$3,937.00	(\$2,907.00)	\$1,030.00
684	INSURANCE	\$8,566.00		\$8,566.00	(\$1,500.00)	\$7,066.00
666	REGULATORY EXPENSE (RATE CASE)	\$0.00		\$0.00		\$0.00
667	REGULATORY EXPENSE (OTHER)	\$7,049.00		\$7,049.00	(\$2,519.00)	\$4,530.00
675	MISCELLANEOUS	\$26,424.00		\$26,424.00	(\$26,424.00)	\$0.00
	TOTAL	\$257,348	\$20,472	\$277,820	(\$163,864)	\$113,956

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

Attachment ES-4 ERRATA Staff Schedule III
Invested Capital

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
INVESTED CAPITAL	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
Plant in Service	\$ 2,847,336		\$ 2,847,336	\$ 106,486	\$ 2,953,822
Accumulated Depreciation	\$ (1,205,081)		\$ (1,205,081)	\$ (1,284)	\$ (1,206,365)
Net Plant in Service	\$ 1,642,255	\$ -	\$ 1,642,255	\$ 105,202	\$ 1,747,457
Working Cash Allowance Materials and Supplies Prepayments	\$ 23,152		\$ 23,152	\$ (13,656)	\$ 9,496
Customer Advances Construction Developer Contribution in Aid of Construction	\$ (137,457)		\$ (137,457)	\$ (53,998)	\$ (191,455)
Customer Deposits Regulatory Assets Accumulated DFIT Regulatory Liabilities					\$ (31,375)
TOTAL INVESTED CAPITAL (RATE BASE)	\$ 1,527,950	\$ -	\$ 1,527,950	\$ 37,548	\$ 1,534,123
RATE OF RETURN			8.42%		6.96%
RETURN ON INVESTED CAPITAL	\$ 721	\$ 128,003	\$ 128,724	\$ (21,949)	\$ 106,775

SOAH DOCKET NO.	473-17-0117.WS	Attachment ES-4 ERRATA Staff Schedule V
PUC DOCKET NO.	46245	Federal Income Taxes
COMPANY NAME	Double Diamond Utility Company, Inc. - White Bluff Subdivision - Sewer	
TEST YEAR END	31-Dec-15	

	Test Year Total	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
	(a)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
<u>FEDERAL INCOME TAXES</u>				
Return	Total	\$ 215,209.00		\$ 156,164.81
Less				
Interest Included in Return		\$ 85,579.00		\$ 52,054.94
Plus				
Other Adjustments				
<u>TAXABLE COMPONENT OF RETURN</u>		<u>\$ 129,630.00</u>		<u>\$ 104,109.88</u>
TAX RATE		26%		39%
TAX FACTOR	$(1/(1-TR))*(TR)$	0.351351351		0.639344262
<u>FEDERAL INCOME TAX BEFORE ADJUSTMENTS</u>		<u>\$ 45,545.68</u>		<u>\$ 66,562.05</u>
LESS				
Surtax Exemption		\$ -		\$ (27,459.00)
<u>TOTAL FEDERAL INCOME TAXES</u>		<u>\$ 45,545.68</u>		<u>\$ 39,103.05</u>
Allocation Factor	(White Bluff Sewer NI/Total White Bluff NI)	60.06%		68.37%
<u>Allocated to White Bluff - Sewer</u>		<u>\$ 27,354.00</u>		<u>\$ 26,736.03</u>