



Control Number: 46245



Item Number: 735

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# Public Utility Commission of Texas

## Memorandum

To: Stephen Journeay, Commission Counsel

From: Darryl Tietjen, Rate Regulation

Subject: Docket No. 46245—*Application of Double Diamond Utility Company, Inc. for Water and Sewer Rate/Tariff Change*

**Clarification of Commission Number Run**—In response to memo filed by Stephen Journeay on October 31, 2019

Date: November 5, 2019

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PUBLIC UTILITY DIVISION

Please find attached to this memo Staff's explanatory information and updated schedules filed in response to the clarifying questions included in your memo filed October 31, 2019 in this proceeding. The attachments include a detailed memorandum and copies of two schedules from the Excel model containing the revenue requirement calculations. (Please note: Staff is not filing a hard copy of the *entire* Excel model, given that the model was filed as part of Staff's earlier number run. However, we are including in this filing the *electronic* version of the entire Excel model.)

Below is a summary of Staff's responses to your clarifying questions. Please see the attached memorandum of Debi Loockerman for a more detailed explanation of the responses.

### Clarifying question 1

Revise the attachment A, DL-1 workpaper to clarify the annual depreciation for grinder pumps is attributed to the White Bluff sewer system.

### Staff response

The attached memorandum provides explanations and calculations affirming that Staff's original Commission number run (filed October 2, 2019) does include the \$3,820 annual depreciation amount for grinder pumps in the revenue requirement for the White Bluff sewer system.

### Clarifying question 2

Clarify whether the \$3,280 annual depreciation amount was inadvertently omitted or intentionally excluded from the revenue requirement in schedule 1 for White Bluff sewer, and if it was intentionally excluded please state the basis for the exclusion.

### Staff response

As indicated in the response above to clarifying question 1, the annual depreciation amount of \$3,820 was neither inadvertently omitted nor deliberately excluded from the revenue requirement reflected in Staff's number run filed October 2, 2019; rather, the amount was included in the \$4,397 total amount of depreciation on utility-contributed assets.

### Clarifying question 3

Make corrections to the revenue requirement schedule I for White Bluff sewer, if appropriate.

### Staff response

Consistent with the information provided above in response to clarifying questions 1 and 2, no corrections to Schedule I are necessary.

Please let me know if you have any questions regarding the above.

# *Public Utility Commission of Texas*

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## **Memorandum**

To: Darryl Tietjen, Rate Regulation

From: Debi Loockerman, Rate Regulation

Subject: Docket No. 46245, *Application of Double Diamond Utility Company, Inc. For Water and Sewer Rate/Tariff Change*

**Response to October 31, 2019 OPDM request for clarification on number run**

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Please find attached to this memo the revised Attachment A, DL-1 workpaper, which Staff has revised to show the detailed depreciation calculation that includes annual depreciation on the grinder pumps of \$3,820. The Attachment A, DL-1 workpaper now shows in detail how the \$3,820 figure is included in the total annual depreciation expense of \$4,397 reflected on the DL-1 workpaper and carried to Attachment A, Schedule I-Sewer for the White Bluff Subdivision. For clarity and ease of reference, the amendments are highlighted in yellow on the Attachment A, DL-1 workpaper. Staff has also filed Microsoft Excel spreadsheets for Attachment A that include the Attachment A, DL-1 workpaper, given that the various schedules in the spreadsheets are connected for calculation purposes.

In order to answer the request for clarification completely, Staff respectfully responds to the issues numbered in the memo as follows:

- 1) revise the attachment A, DL-1 workpaper to clarify that the annual depreciation for the grinder pumps is attributed to the White Bluff Sewer System.

**Answer:** The revised Attachment 1, DL-1 workpaper that provides detailed clarity to the calculation of the annual depreciation for the grinder pumps is attached.

- 2) Clarify whether the \$3,820 annual depreciation amount was inadvertently omitted or intentionally excluded from the revenue requirement in schedule 1 for White Bluff sewer, and if it was intentionally excluded please state the basis for the exclusion.

**Answer:** As clarified in the revised Attachment 1, DL-1 workpaper, the annual depreciation amount of \$3,820 was neither inadvertently omitted nor deliberately excluded from the revenue

requirement reflected in Staff's number run filed October 1, 2019; rather the amount was *included* in the \$4,397 total amount of depreciation on utility-contributed assets. The \$4,397 figure is the sum of:

- (1) the Commission-determined sewer utility assets of \$25,625 multiplied by the annual depreciation rate of 2.2484%, which equals annual depreciation prior to grinder pump depreciation of **\$576**; and
- (2) the grinder pump original cost of \$76,409 times the depreciation rate of 5% equals the annual depreciation for grinder pumps of **\$3,820.45**.

Restating the above, the Commission-determined sewer utility asset annual depreciation of \$576.15 plus the grinder pump annual depreciation of \$3,820.45 equals total depreciation of \$4,396.60, rounded to \$4,397. The bottom portion of the revised Attachment A, DL-1 workpaper provides the details of these calculations.

Included in Staff's October 2, 2019 filing is a detailed explanation in the Attachment D, DL-1 workpaper that describes how the depreciation rate for grinder pumps was calculated using a 20-year life, as indicated in the testimony of Jolie Mathis, Attachment 2, Depreciation Analysis. Therefore, as shown in the revised Attachment A, DL-1 workpaper, the annual depreciation rate used for grinder pumps is 1 divided by 20, or 5%.

The amounts based on the information described above and shown in the revised Attachment A, DL-1 workpaper are carried to Attachment A, Schedule I-Sewer, which includes the total utility contributed asset depreciation of \$4,397 as a separate line item that, when added to depreciation on developer contributions of \$2,189, totals to \$6,586. As shown in column (f) of Attachment A, Schedule I-Sewer, this total amount of \$6,586 is the depreciation component of the White Bluff sewer revenue requirement.

Therefore, as explained above, the grinder pump annual depreciation of \$3,820 was appropriately included in the revenue requirement for White Bluff sewer.

- 3) Make corrections to the revenue requirement schedule I for White Bluff sewer, if appropriate.

**Answer:** Consistent with the information provided above in response to questions 1 and 2, no corrections to Schedule I are necessary.

Nov. 5, 2019--Clarification of Commission Number Run

Attachment A  
(Amended 11/1/19)

SOAH DOCKET NO. 473-17-0117.WS  
 PUC DOCKET NO. 46245  
 COMPANY NAME Double Diamond Utility Company, Inc. - White Bluff Subdivision - Water and Sewer  
 TEST YEAR END 12/31/2015

DL -1 Workpaper  
 Annual Depreciation

	Original Cost	Commission Accumulated Depreciation	In-service Life	Years in service	Commission Annual Depreciation	Commission Annual Depreciation Rate
Water Utility Contributions	\$ 71,367	\$ (3,012)			\$ 1,923	2.6942%
Water Developer Contributions	\$ 429,978	\$ (220,101)	1996-2015	\$ 19	\$ 11,584	2.6942%
<b>Total Water</b>	<b>\$ 501,345</b>	<b>\$ (223,113)</b>			<b>\$ 13,507</b>	
Sewer Utility Contributions	\$ 102,034	\$ (3,505)			\$ 4,397	Various AA
Sewer Developer Contributions	\$ 97,380	\$ (41,600)			\$ 2,189	2.2484%
<b>Total Sewer Annual Depreciation</b>	<b>\$ 199,414</b>	<b>\$ (45,105)</b>			<b>\$ 6,586</b>	
Grinder Pumps	\$ 76,409	\$ (1,910)	\$ 42,185	\$ 20	\$ 3,820	5.0000% (B)

Depreciation  
 Calculation for White  
 Bluff Subdivision

	A	B	C	D	F=A x D
Sewer Summary	Original Cost	Accumulated Depreciation	Net Book Value	Annual Percentage depreciation	
Commission Determined Sewer Assets - Utility Contributed	\$ 25,624.64	\$ (1,595)	\$ 24,030	2.2484%	.576
Grinder Pumps capitalized	\$ 76,409.00	\$ (1,910)	\$ 74,499	5.0000%	3,820
<b>Total original cost - Sewer</b>	<b>\$ 102,033.64</b>	<b>\$ (3,505)</b>	<b>\$ 98,528</b>		<b>4,397</b> AA <b>Total White Bluff Dep</b>

**Nov. 5, 2019—Clarification of Commission Number Run**

Attachment A

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 12/31/2015

Schedule I-Sewer  
 Revenue Requirement

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Commission Adjustments To Company Request	Commission Final Revenue Requirement
<b>REVENUE REQUIREMENT</b>	(a)	(b)	(c)=(a)+(b)	(d)	(f)=(c)+(d)
Operations and Maintenance	\$ 257,348	\$ 20,472	\$ 277,820	\$ (142,425)	\$ 135,395
Total Depreciation and Amortization Expense	\$ 69,816	\$ 14,884	\$ 84,700	\$ (78,114)	
Utility					
Developer Contributions					
Taxes Other Than Income	\$ 62,144	\$ (4,038)	\$ 58,106	\$ (5,897)	\$ 52,209
Federal Income Taxes	\$ -	\$ 27,354	\$ 27,354	\$ (26,389)	\$ 965
Return on Invested Capital	\$ 721	\$ 128,003	\$ 128,724	\$ (123,273)	\$ 5,451
<b>TOTAL</b>	<b>\$ 390,029</b>	<b>\$ 186,675</b>	<b>\$ 576,704</b>	<b>\$ (376,097)</b>	<b>\$ 200,606</b>
Other Revenues		\$ (4,574)	\$ (4,574)		(4,574)
Revenue Requirement Used to Set Rates	\$ 390,029	\$ 182,101	\$ 572,130	\$ (376,097)	\$ 196,032