

(Account 770) recorded during the test year by \$9,313 to correspond to the higher revenues associated with the requested rates. As shown in the right hand column on Schedule 2, these adjustments increase O&M and A&G expenses a net of \$2,633, to a total of \$1,983,847.

Q. ARE ANY OF THE O&M AND A&G EXPENSES INCLUDED IN THE ABOVE TOTAL PAYMENTS TO AFFILIATES?

A. Yes. As noted earlier, virtually all of the O&M and A&G expenses recorded on the books of Woodmark and Tall Timbers are directly or indirectly charged to them from affiliated, shared services entities. However, the cost allocation methodologies described by Mr. Killeen and the manner in which these direct and allocated O&M and A&G expenses are calculated and charged to the Woodmark and Tall Timbers systems, satisfy the PUCT's affiliate transaction standards that the price charged is no higher than that charged to other affiliates or unaffiliated entities.

Q. DO THE WOODMARK AND TALL TIMBERS SYSTEMS RECEIVE CHARGES FROM AFFILIATES THAT DO NOT REFLECT ACTUAL COSTS INCURRED?

A. No. Although Account 734 is labeled Contractual Services – Management Fees, the amounts included in this account consist of actual expenses incurred by affiliates that are charged directly or allocated to the Woodmark and Tall Timbers systems. For example, this account includes some \$57,000 in wages and salaries, almost \$4,000 in materials and supplies, and \$11,000 in accounting and legal support that benefit the Woodmark and Tall Timbers systems. Again, Mr. Killeen addresses the manner in which these expenses are incurred, and charged or allocated to the Woodmark and Tall Timbers systems.

1

2 **Q. DO THE O&M AND A&G EXPENSES SHOWN ON SCHEDULE 2 INCLUDE**
3 **ANY IMPERMISSIBLE EXPENSES?**

4 **A.** No. I inquired as to whether any impermissible expenditures per 16 TAC Section
5 24.31(b)(2), such as legislative advocacy, political contributions, or funds supporting
6 social, recreational, fraternal, or religious clubs or organizations, are included in test year
7 O&M or A&G expenses. I was advised that there are none.

8

9 **Q. HOW DO WOODMARK AND TALL TIMBERS PROPOSE TO RECOVER**
10 **RATE CASE EXPENSES ASSOCIATED WITH THIS CASE?**

11 **A.** Consistent with the Commission's practice, Woodmark and Tall Timbers propose not to
12 include rate case expenses in the calculation of its BER. Rather, it proposes that the
13 amount and recovery process of rate case expenses be addressed separately, with allowed
14 rate case expenses being billed as a surcharge on customers' bills until they are fully
15 recovered.

B. Taxes Other than Income

16 **Q. WHAT TAXES OTHER THAN INCOME DID WOODMARK AND TALL**
17 **TIMBERS INCUR DURING THE TEST YEAR?**

18 **A.** As shown in the "Per Books" columns of Schedule 3, the only taxes other than income
19 recorded for the Woodmark and Tall Timbers systems in 2015 were for ad valorem, or
20 property, taxes and Texas franchise tax expenses.

1 **Q. WERE ANY ADJUSTMENTS MADE TO TEST YEAR TAXES OTHER THAN**
2 **INCOME?**

3 **A.** Yes. As will be explained in more detail later, Woodmark and Tall Timbers had
4 Construction Completed not Classified ("CCNC") at December 31, 2015 totaling
5 \$952,750. Because no property taxes had been paid or accrued for this plant placed into
6 service during 2015, an adjustment to test year property tax expense is necessary. As
7 shown in footnote (a) on Schedule 3, multiplying the average test year property tax rate
8 of 1.70% times the \$952,750 cost of CCNC results in additional property taxes of
9 \$16,198, which when added to those recorded for the test year produces total property tax
10 expense of \$179,525. Additionally, an adjustment was made to the Texas franchise tax
11 expense so that it corresponds to the requested level of revenues. As shown in footnote A
12 on Schedule 3, multiplying total revenue requirements from Schedule 1 by 70% to
13 calculate the taxable margin, and then applying the current margin tax rate of 0.75%,
14 produces Texas franchise tax expense for inclusion in the combined revenue
15 requirements of the Woodmark and Tall Timbers systems of \$28,548. Combining
16 adjusted property taxes and Texas franchise taxes results in total taxes other than income
17 of \$208,074.

C. Depreciation Expense

18 **Q. WHAT DEPRECIATION EXPENSE WAS RECORDED ON THE BOOKS OF**
19 **WOODMARK AND TALL TIMBERS FOR 2015?**

20 **A.** Schedule 4 displays the depreciation expense by NARUC plant account during the test
21 year for the Woodmark /Tall Timbers systems. Also shown there are the lives over
22 which the assets in each NARUC account are being depreciated.

1 **Q. WERE ANY ADJUSTMENTS MADE TO THE DEPRECIATION EXPENSE**
2 **BOOKED DURING THE TEST YEAR?**

3 **A.** Yes. First, because Woodmark's investment in Account, 352 – Franchises will
4 subsequently be excluded from rate base, the \$10,791 of amortization expense associated
5 with this intangible asset is also removed from depreciation expense. Second, test year
6 depreciation expense was adjusted to reflect that associated with the CCNC placed into
7 service during the test year. Specifically, additional depreciation expense of \$103,716
8 was calculated based on the amount of CCNC in each plant account and its corresponding
9 life. Finally, a couple of minor errors were discovered in the depreciation expense
10 recorded for 2015. A \$6,515 downward adjustment was made to NARUC Account 371
11 to correct these errors, which results in adjusted depreciation expense, net of the
12 amortization of contributions in aid of construction ("CIAC"), for the combined
13 Woodmark and Tall Timbers systems of \$735,146.

D. Rate Base

14 **Q. BRIEFLY SUMMARIZE THE CALCULATION OF RATE BASE.**

15 **A.** Rate base is the amount of investment on which a utility is allowed the opportunity to
16 earn a fair rate of return. Rate base normally consists of the net investment in assets used
17 to provide service, less adjustments for non-investor supplied capital. The largest
18 component of rate base is net plant in service, which is usually the original cost of
19 property, plant, and equipment at the time it was dedicated to public use less accumulated
20 depreciation. Also included in rate base is a cash working capital allowance and other
21 working capital items, with deferred income taxes and other sources of non-investor
22 supplied capital serving to reduce rate base.

1 **Q. WHAT IS THE NET ORIGINAL COST OF PROPERTY, PLANT, AND**
2 **EQUIPMENT RECORDED ON THE BOOKS OF THE WOODMARK AND**
3 **TALL TIMBERS SYSTEMS?**

4 **A.** As detailed in the upper portion of Schedule 5 by NARUC plant account for each system,
5 the Woodmark and Tall Timbers systems have plant in service recorded on their books at
6 December 31, 2015 of \$8,557,331 and \$5,997,159, respectively, which total \$14,554,490.
7 Shown directly below plant in service on Schedule 5 is accumulated depreciation for each
8 NARUC plant account, which totals \$4,623,863 (*i.e.*, \$2,760,574 plus \$ 1,863,289).

10 **Q. WHERE ANY ADJUSTMENTS MADE TO PLANT?**

11 **A.** Yes. First, as mentioned earlier, there is an intangible asset recorded in Account 352 on
12 the books of the Woodmark system totalling \$431,640. Because this asset does not
13 represent the original cost of plant, it and the associated accumulated depreciation of
14 \$107,466 were removed for purposes of calculating the rate base of the Woodmark and
15 Tall Timbers systems. Second, as also mentioned earlier, Woodmark and Tall Timbers
16 had CCNC at December 31, 2015 totaling \$952,750. CCNC is plant that has been placed
17 in service and is used and useful, but the process of analyzing, classifying, and posting
18 the construction and purchase costs of the assets to their proper plant accounts has not
19 been completed. Because the test year-end CCNC was providing customers with service
20 and has now been assigned to its proper plant accounts, adjustments were made to reflect
21 these amounts in plant in service. As shown on Schedule 5, this results in adjusted plant
22 in service of \$15,075,600 and adjusted accumulated depreciation of \$4,515,396, or net
23 plant in service for the Woodmark and Tall Timbers systems of \$10,559,204.

1 **Q. WHAT WORKING CAPITAL ITEMS ARE INCLUDED IN THE RATE BASE**
2 **OF THE COMBINED WOODMARK AND TALL TIMBERS SYSTEMS?**

3 **A.** Two working capital items are included in rate base. The first is a cash working capital
4 allowance, which accounts for the working capital required because of the delay between
5 the receipt of revenues and when expenses are paid. As shown in footnote A of Schedule
6 5, a cash working capital allowance for the combined Woodmark and Tall Timbers
7 systems was calculated as 1/12 of the sum of adjusted O&M and A&G expenses from
8 Schedule 2 and amounts to \$165,321. The second working capital item is prepayments,
9 which over the test year for the combined Woodmark and Tall Timbers systems averaged
10 \$2,937.

11

12 **Q. WHAT SOURCES OF NON-INVESTOR SUPPLIED CAPITAL REDUCED THE**
13 **COMBINED WOODMARK AND TALL TIMBERS SYSTEMS' RATE BASE?**

14 **A.** Listed by NARUC account at the bottom of Schedule 5, several sources on non-investor
15 supplied capital serve to reduce rate base. First, different treatments of certain revenues
16 and expenses create temporary timing differences between book and taxable income, with
17 the income taxes paid before or after the tax expense is incurred being reflected as an
18 accumulated deferred income tax ("ADIT") asset or liability, respectively. For the
19 combined Woodmark and Tall Timbers systems, the net total of NARUC accounts 190,
20 281, 282, and 283 results in a rate base deduction totaling \$1,032,893.

21 The second source of non-investor supplied capital is that provided by customers
22 in the form of meter deposits and CIAC. Recorded in NARUC accounts 235, 271, and
23 272, a net total of \$2,618,193 in customer-supplied capital also reduces the rate base of
24 the combined Woodmark and Tall Timbers systems.

1
2 **Q. WHAT THEN IS THE RATE BASE FOR THE COMBINED WOODMARK AND**
3 **TALL TIMBERS SYSTEMS?**

4 **A.** As calculated on Schedule 5, combining the net original cost of property, plant, and
5 equipment, plus a cash working capital allowance and prepayments, less net deferred
6 income taxes and net customer supplied capital, results in a rate base for the combined
7 Woodmark and Tall Timbers systems totaling \$7,076,376.

E. Return on Investment

8 **Q. WHAT IS THE PURPOSE OF A RETURN ON INVESTMENT IN SETTING A**
9 **UTILITY'S RATES?**

10 **A.** Return on investment compensates investors for the use of their capital to finance the
11 plant and equipment necessary in providing service. Capital, like any other resource, has
12 a cost attendant with its usage. By identifying this cost and including a corresponding
13 return component in revenue requirements, customers pay a fair rent on the capital
14 employed in serving them and investors are fairly compensated for the use of their
15 money.

16
17 **Q. WHAT RATE OF RETURN ON RATE BASE IS BEING REQUESTED IN THIS**
18 **CASE?**

19 **A.** As shown on Schedule 6, all of the capital invested by Liberty Utilities Co. in the
20 Woodmark and Tall Timbers systems is recorded as common equity in NARUC
21 Accounts 201, 211, 214, and 216. However, Liberty proposes to use capital structure
22 ratios of 30% debt and 70% equity, which it believes is consistent with the risks of small

1 sewer systems such as Woodmark and Tall Timbers. Liberty also proposes a cost of debt
2 of 4.95%, which is an average cost of debt of affiliate companies providing Woodmark
3 and Tall Timbers capital, and a rate of return on equity ("ROE") of 10.16%. This ROE
4 was determined using the Commission's first method of adding a 6% risk premium to a
5 recent Moody's Baa public utility bond yield, which in July 2016 was 4.16%. As shown
6 on Schedule 6, combining the requested capital structure ratios of the combined
7 Woodmark and Tall Timbers systems with the requested cost of debt and ROE results in
8 an overall rate of return of 8.60%.

9
10 **Q. WHAT RETURN ON INVESTMENT IS INCLUDED IN THE REVENUE**
11 **REQUIREMENTS OF THE COMBINED WOODMARK AND TALL TIMBERS**
12 **SYSTEMS?**

13 **A.** As shown in the upper portion of Schedule 7, multiplying the \$7,076,376 rate base for the
14 combined Woodmark and Timbers systems developed in Schedule 5 times the overall
15 rate of return of 8.60% developed in Schedule 6 produces a dollar return on investment
16 for inclusion in revenue requirements of \$608,356.

F. Income Taxes

17 **Q. WHAT INCOME TAXES ARE ASSOCIATED WITH THIS RETURN ON**
18 **INVESTMENT?**

19 **A.** Beginning with the \$608,356 return on investment calculated in the upper portion of
20 Schedule 7, synchronized interest expense, calculated as the product of rate base and the
21 weighted cost of debt, was deducted to arrive at the after-tax return on equity of
22 \$503,272. This after-tax return was then multiplied times a gross-up factor of 1.5385

(i.e., $1 / (1 - \text{tax rate})$), with income tax expense then being determined based on the statutory marginal corporate tax rate of 35 percent. This produces an income tax expense associated with the return on investment included in revenue requirements for the combined Woodmark and Tall Timbers systems of \$270,993.

G. Rates

Q. WHAT ARE THE TOTAL REVENUE REQUIREMENTS OF THE COMBINED WOODMARK AND TALL TIMBERS SYSTEMS?

A. As summarized on Schedule 1, summing the adjusted O&M and A&G expenses, taxes other than income, depreciation expenses, return on investment, and income taxes developed above produces revenue requirements for, or a total cost of providing, sewer service on the combined Woodmark and Tall Timbers systems of \$3,806,415.

Q. ARE THESE THE REVENUE REQUIREMENTS USED TO CALCULATE CONSOLIDATED RATES?

A. No. A portion of the total revenue requirements of the combined Woodmark and Tall Timbers systems will be collected through various miscellaneous service charges (e.g., service charges and late payment fees), to which no changes are being proposed. As shown in the upper portion of Schedule 8, during the test year these miscellaneous revenues totaled \$86,668. As shown in the Schedule 1, subtracting these miscellaneous revenues from total revenue requirements of \$3,806,415 leaves net revenue requirements to be recovered through sewer service rates of \$3,719,747.

1 **Q. WHAT ARE THE BILLING UNITS FOR THE WOODMARK AND TALL**
2 **TIMBERS SYSTEMS?**

3 **A.** As mentioned earlier, the rates of Woodmark and Tall Timbers are based on a BER,
4 which is fundamentally the monthly rate for standard residential service, with the rates
5 for other customer classes being multiples of this base rate. For example, a residential
6 customer's rate is equal to one BER and a commercial customer's might equal to two
7 BERs, depending on his service characteristics. Using the current rates for the
8 Woodmark and Tall Timbers systems, the total number of BERs billed during 2015 were
9 determined from billing records. As shown in the bottom of Schedule 8, the total BERs
10 for the combined Woodmark and Tall Timbers systems for the twelve months of 2015
11 sum to 48,600.

12
13 **Q. WHAT RATE DOES THIS EQUATE TO FOR THE COMBINED WOODMARK**
14 **AND TALL TIMBERS SYSTEMS?**

15 **A.** At the bottom of Schedule 1, the net revenue requirements of \$3,719,747 developed
16 above are divided by the total BERs of 48,600 to calculate the requested rate per BER per
17 month for the combined Woodmark and Tall Timbers systems of \$76.54.

IV. RATE FILING PACKAGE SCHEDULES

18 **Q. WHAT IS THE PURPOSE OF THIS SECTION?**

19 **A.** As indicated earlier, the Rate Filing Package is principally designed for water utilities,
20 and must be modified for use by sewer utilities. This section briefly describes how I
21 inserted the financial data described above into the Rate Filing Package schedules for the
22 combined Woodmark and Tall Timbers systems.

1 **Q. WHAT IS SHOWN ON SCHEDULE I-1 – REVENUE REQUIREMENT**
2 **SUMMARY OF THE RATE FILING PACKAGE?**

3 **A.** Schedule I-1 of the Rate Filing Package basically corresponds to Schedule 1 attached to
4 my testimony and discussed above. Both summarize the major components of the
5 requested revenue requirements for the Woodmark and Tall Timbers systems.
6

7 **Q. PLEASE SUMMARIZE HOW YOU CATEGORIZED VARIOUS O&M**
8 **EXPENSES IN THE RATE FILING PACKAGE SCHEDULES?**

9 **A.** The schedules in the Rate Filing Package contemplate a utility where variable expenses
10 are largely included in volume charges and fixed expenses are included in monthly
11 service charges. Because Woodmark and Tall Timbers are sewer systems only, which
12 simply charge customers a fixed monthly amount, their accounts do not correspond
13 exactly to those identified in the schedules. This notwithstanding, I reflected those O&M
14 expenses that are largely variable (*i.e.*, Accounts 710-718) in the Rate Filing Package
15 schedules that are identified as “volume related”. The remaining O&M expenses were
16 included in the “non-volume related” schedules. Because the NARUC account numbers
17 for A&G expenses closely correspond between water and sewer utilities, the completion
18 of these schedules, including the addition of historical data, was fairly straightforward.
19

20 **Q. WERE THERE ANY SCHEDULES IN THE RATE FILING PACKAGE**
21 **RELATED TO O&M EXPENSES THAT WERE PROBLEMATIC?**

22 **A.** Yes. As discussed earlier, Woodmark and Tall Timbers do not have any employees of
23 their own. The management and operations of the systems are performed by various
24 employees of LUSC, with payroll and benefits costs being charged wholly or partially to

1 the Woodmark and Tall Timbers systems based on the time each commits to the systems.
2 In addition; labor costs for numerous employees of other affiliates that provide indirect
3 services are also charged to the Woodmark and Tall Timbers systems through the various
4 cost allocation processes described by Mr. Killeen. Because costs associated with so
5 many employees is included in the various O&M and A&G expenses of the Woodmark
6 and Tall Timbers systems, it was not practical to complete Schedule II-6 – Payroll and
7 Schedule II-11 – Employee Pensions and Benefits. In a similar vein, Woodmark and Tall
8 Timbers do not acquire their own insurance coverage. Rather, Woodmark and Tall
9 Timbers are covered under policies purchased by various affiliates and then they are
10 allocated a share of the premiums directly or indirectly. Accordingly, the detail requested
11 on Schedule II-16 – Insurance or the numerous policies covering the Woodmark and Tall
12 Timbers systems was not provided.

13
14 **Q. WERE ANY SCHEDULES IN THE RATE FILING PACKAGE RELATED TO**
15 **PLANT MODIFIED?**

16 **A.** Yes. Schedule III-3 – Plant in Service contemplates a listing of each asset owned by the
17 utility, with its accumulated depreciation being calculated based on when each item of
18 plant was placed in service and its service life. For the Woodmark and Tall Timbers
19 systems, such a listing would be impractical because of the extensive assets owned by
20 these systems. Therefore, the plant and accumulated depreciation balances by NARUC
21 account recorded on the books of Woodmark and Tall Timbers systems, adjusted to
22 reflect the CCNC discussed above, were used to complete this schedule. Likewise,
23 depreciation expense was based on the amounts recorded on the books of the Woodmark
24 and Tall Timbers systems for the test year instead of recalculating these amounts as

1 indicated in Schedule III-3 – Plant in Service, except for depreciation expense on CCNC,
2 which was calculated by dividing the amount of CCNC in each NARUC account based
3 on the corresponding lives shown on Schedule III-3.

4
5 **Q. DO THE SCHEDULES IN THE RATE FILING PACKAGE PRODUCE THE**
6 **SAME END-RESULT AS THE SCHEDULES YOU DEVELOPED AND THAT**
7 **ARE ATTACHED TO THIS TESTIMONY?**

8 **A.** Yes. Referring to Schedule VI-1 – Rate Design of the Rate Filing Package, the BER
9 shown there of \$76.54 is identical to that developed at the bottom of my Schedule 1.

V. SECOND STEP TWO RATE INCREASE

10 **Q. WHAT IS THE PURPOSE OF THIS SECTION?**

11 **A.** As noted earlier, Woodmark and Tall Timers are requesting a second phase, or step,
12 increase in rates for the additional operating and capital costs associated with three
13 projects, all of which are necessary to improve service or achieve compliance with TCEQ
14 regulations and one also being required by TxDOT. This second-step rate increase is
15 intended to eliminate the requirement that a subsequent rate application be filed, thus
16 saving the utilities, their customers, and the Commission the time and expenses of
17 another rate case. The purpose of this section is to develop the amount of this second-step
18 rate increase.

19 **Q. BRIEFLY DESCRIBE THE FIRST PROJECT.**

20 **A.** Because of a hydraulic imbalance, Tall Timbers' treatment plant was unable to properly
21 treat wastewater flows coming into the plant, resulting in the effluent not being in
22 compliance with TCEQ regulations. To remedy this problem, a hydraulic improvement

1 program was completed in February 2016 at a cost of \$439,366. There are no expected
2 changes in O&M expenses associated with these capital improvements at the Tall
3 Timbers wastewater treatment plant.

4
5 **Q. BRIEFLY DESCRIBE THE SECOND PROJECT.**

6 **A.** TxDOT is requiring Tall Timbers to relocate its force main located in the Farm-to-Market
7 2493 right-of-way. As discussed by Mr. Garlick, in connection with this main relocation,
8 Woodmark and Tall Timbers are diverting certain flows to the expanded Woodmark
9 treatment plant, which will defer the need to expand the Tall Timbers treatment plant and
10 result in lower near-term costs to customers. This main relocation project is expected to
11 be completed in December 2016 and have a total cost, including both direct and indirect
12 expenditures, of \$885,766.

13
14 **Q. BRIEFLY DESCRIBE THE THIRD PROJECT.**

15 **A.** Woodmark is in the process of completing the design, obtaining permits, ordering
16 equipment, and contracting for the construction of an increase in the treatment capacity of
17 its wastewater treatment plant from 360,000 gallons per day (“gpd”) to 700,000 gpd.
18 This expansion will not only bring the Woodmark plant into compliance with TCEQ
19 regulations to meet current wastewater flows, but provide additional capacity to meet
20 flows from current and future customers of both the Woodmark and Tall Timbers
21 systems. The expansion of the Woodmark plant is expected to be complete and placed in
22 service by the end of the first quarter of 2017 at a total cost of \$3,449,650.

1 **Q. HOW DID YOU DETERMINE THE AMOUNT OF THE SECOND-STEP**
2 **INCREASE TO REFLECT THE COSTS ASSOCIATED WITH THESE THREE**
3 **PROJECTS?**

4 **A.** The second-step rate increase is developed in Schedule 9. Specifically, the additional
5 revenue requirements associated with these three projects are calculated and then divided
6 by billing units to determine the amount of the second-step increase.
7

8 **Q. WHAT IS THE TOTAL CAPITAL COST OF THE THREE PROJECTS?**

9 **A.** The capital costs of the three projects that are the basis for the requested second-step rate
10 increase are shown by NARUC account in the upper portion of Schedule 9. As indicated
11 earlier, the Tall Timbers wastewater treatment plant was completed in February 2016 at a
12 cost of \$439,366. The schedule and cost estimates for the main relocation and expansion
13 of the Woodmark treatment plant were prepared by Brian E. Capps, P.E., of Capps
14 Capco Construction Inc., who is a licensed professional engineer in the State of Texas.
15 The respective \$885,776 and \$3,449,650 estimated total costs of the main relocation and
16 Woodmark plant expansion are also broken down by NARUC plant account in the upper
17 portion of Schedule 9. Please note that the costs certified by Mr. Capps are only those
18 over which a professional engineer has control. The difference between these and the
19 total estimated costs reflect internal labor, overheads, and construction financing costs
20 (*i.e.*, AFUDC), which are prescribed by the NARUC Uniform System of Accounts to be
21 included in the total cost of property, plant, and equipment.
22

1 **Q. WHAT ADDITIONAL OPERATING EXPENSES ARE EXPECTED TO BE**
2 **INCURRED IN CONNECTION WITH THESE PROJECTS?**

3 **A.** As indicated earlier, there are no expected changes in labor, materials, and supplies
4 associated with the capital improvements at the Tall Timbers treatment plant, nor in
5 connection with the FM 2493 main relocation. There are, however, three items of O&M
6 expense that are projected to change with the Woodmark treatment plant expansion.
7 Electricity expenses are expected to increase approximately \$50,426 per year. Annual
8 water expense is projected to decrease \$12,000, while sludge disposal expense is
9 anticipated to increase \$5,800. There are not expected to be any immediate increases in
10 personnel costs or A&G expenses with the Woodmark plant expansion, nor are there any
11 known and measureable reductions other operating costs of the systems. Thus, the net
12 increase in annual operating expenses associated with the Woodmark plant expansion is
13 projected to total \$44,226, which is listed on Schedule 9.

14
15 **Q. WILL ANY OTHER OPERATING EXPENSES CHANGE AS A RESULT OF**
16 **THE THREE PROJECTS?**

17 **A.** Yes. Bad debt expense will rise as the result of the second-step increase in rates.
18 Accordingly, an adjustment of \$8,883 is made to increase bad debts expense to
19 correspond to the higher revenues associated with the requested second-step rate increase.
20 Combining the \$44,226 net increase in O&M expenses and \$8,883 in bad debt expenses
21 results in total increase in O&M and A&G expenses associated with the plant Woodmark
22 plant expansion of \$53,109.

23

1 **Q. HOW MUCH DO THE THREE PROJECTS AFFECT TAXES OTHER THAN**
2 **INCOME?**

3 **A.** The Tall Timbers plant improvements, main relocation, and Woodmark plant expansion
4 will impact two components of taxes other than income: 1) property taxes, and 2) Texas
5 franchise tax expenses. Applying the average property tax rate during the test year of
6 1.70% (developed in Schedule 9) to the \$4,774,792 total cost of the three projects implies
7 that property taxes will increase by \$89,231. Meanwhile, as also shown on Schedule 9,
8 multiplying the second-step cost of service by 70% to calculate the taxable margin, and
9 then applying the current margin tax rate of 0.75%, produces a Texas franchise tax
10 expense of \$5,062, and total additional taxes other than income of \$94,293.

11
12 **Q. WHAT IS THE CHANGE IN DEPRECIATION EXPENSE AS A RESULT OF**
13 **THE THREE PROJECTS?**

14 **A.** In the middle of Schedule 9, the costs of three projects, broken down by plant account,
15 are divided by their respective lives to calculate the additional annual depreciation
16 expense attributable to the plant improvements, main relocation and plant expansion. As
17 summed there, these amounts total \$223,238.

18
19 **Q. HOW MUCH DO THE THREE PROJECTS INCREASE RATE BASE?**

20 **A.** The Tall Timbers plant improvements, FM 2493 main relocation, and Woodmark plant
21 expansion increase plant in service by their combined construction costs of \$4,774,792.
22 There is no immediate increase in accumulated depreciation and no changes in
23 prepayments, customer deposits, and CIACs. Similarly, net ADIT does not change
24 because the increase in the ADIT – Accelerated Depreciation (Account 281) is exactly

1 offset by an increase in the ADIT – Net Operating Loss Carryforwards (Account 190).

2 There is, however, an increase in the cash working capital allowance of \$4,426, which is
3 one-twelfth of the increase in O&M and A&G expenses of \$53,109. Thus, as shown on
4 Schedule 9, the net increase in rate base attributable to the Woodmark plant expansion is
5 \$4,779,218.

6
7 **Q. HOW MUCH DOES THIS GREATER RATE BASE INCREASE RETURN ON**
8 **INVESTMENT AND INCOME TAXES?**

9 **A.** As shown on Schedule 9, multiplying the \$4,779,218 increase in rate base by the
10 requested rate of return of 8.60% produces an increase in return on investment of
11 \$410,489. Meanwhile, as also shown on Schedule 9, the increase in income taxes
12 associated with this greater return on investment is \$183,022.

13
14 **Q. WHAT ARE THE ADDITIONAL REVENUE REQUIREMENTS ASSOCIATED**
15 **WITH THE TALL TIMBERS PLANT IMPROVEMENTS, FM 2493 MAIN**
16 **RELOCATION, AND WOODMARK PLANT EXPANSION?**

17 **A.** As shown at the bottom of Schedule 9, summing the increased O&M expenses, taxes
18 other than income, depreciation expense, return on investment, and income taxes
19 produces an increase in revenue requirements attributable to these three projects of
20 \$964,151.

21
22 **Q. WHAT SECOND-STEP RATE INCREASE DOES THIS EQUATE TO FOR THE**
23 **COMBINED WOODMARK AND TALL TIMBERS SYSTEMS?**

1 A. Dividing the increase in revenue requirements of \$964,151 attributable to the Tall
2 Timbers plant improvements, FM 2493 main relocation, and Woodmark plant expansion
3 by total BERs of 48,600 produces the requested second-step rate increase for the
4 combined Woodmark and Tall Timbers systems of \$19.84 per BER.

5
6 **Q. HOW DO WOODMARK AND TALL TIMBERS PROPOSE TO IMPLEMENT**
7 **THE REQUESTED SECOND-STEP INCREASE?**

8 A. Consistent with the Commission's rules, Woodmark and Tall Timbers will notify
9 customers of the requested two-step increase in its original notice, provide customers and
10 the Commission notice of the second-step increase 30 days prior to implementation, and
11 not implement the second-step rate increase until the Woodmark plant expansion is
12 placed into service and verified by a licensed professional engineer or Commission
13 inspector/subcontractor. Woodmark and Tall Timbers will also compare the actual costs
14 of construction of the FM 2493 main relocation and Woodmark plant expansion with the
15 estimates presented above and handle the difference under one of the options provided
16 for by the Commission's rules.

17
18 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY IN THIS CASE?**

19 A. Yes, it does.

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)
COST OF SERVICE
Test Year Ended December 31, 2015

Schedule 1
Page 37

<u>Description</u>	<u>Reference Schedule</u>	<u>Amount</u>
Operations and Maintenance Expenses	Schedule 2	\$ 1,983,847
Taxes Other than Income	Schedule 3	208,074
Depreciation Expense	Schedule 4	735,146
Return on Investment		
Rate Base	Schedule 5	\$ 7,076,376
Rate of Return	Schedule 6	8.60%
Return		<u>608,356</u>
Income Tax Expense	Schedule 7	<u>270,993</u>
Total Cost of Service		\$ 3,806,415
Other Income	Schedule 8	<u>(86,668)</u>
Net Cost of Service		\$ 3,719,747
Billing Units	Schedule 8	<u>48,600</u>
BASE EQUIVALENT RATE		<u>\$ 76.54</u>

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)
O&M AND A&G EXPENSES
Test Year Ended December 31, 2015

Schedule 2
Page 38

Description	Per Books		Adjustments	Ref.	Adjusted Amount
	Woodmark	Tall Timbers			
701 Salaries and Wages - Employees	\$ 328,819	\$ 300,759			\$ 629,578
710 Purchased Water	40,092	19,868			59,960
711 Sludge Removal Expense	29,964	72,687			102,652
715 Purchased Power	86,913	68,851			155,764
716 Fuel for Power Production	174	82			256
718 Chemicals	26,113	12,712			38,825
720 Materials and Supplies	29,921	23,187			53,107
731 Contractual Services - Engineering	-	-			-
732 Contractual Services - Accounting	348	4,512			4,859
733 Contractual Services - Legal	(4,027)	(293)			(4,319)
734 Contractual Services - Management Fees	145,692	172,756			318,448
735 Contractual Services - Testing	11,586	7,590			19,175
736 Contractual Services - Other	220,316	176,229			396,545
741 Rental of Building/Real Property	3,798	4,089			7,887
742 Rental of Equipment	19,188	6,053			25,241
750 Transportation Expenses	20,420	16,223			36,643
756 Insurance - Vehicle	2,364	1,918			4,282
757 Insurance - General Liability	7,273	2,306			9,579
766 Regulatory Commission Expenses	6,670	-	(6,670)	(a)	-
767 Regulatory Commission Expenses - Other	-	-			-
770 Bad Debt Expense	16,816	8,949	9,303	(b)	35,069
775 Miscellaneous Expenses	43,895	46,400			90,295
Total O&M and A&G Expenses	\$ 1,036,336	\$ 944,877			\$ 1,983,847

(a) To remove amortization of previous rate case expenses.	
(b) 2015 Bad Debt Expense	\$ 25,766
2015 Operating Revenues	2,796,622
Bad Debt Ratio	0.921%
Total Cost of Service (Schedule 1)	3,806,415
Adjusted Bad Debts Expense	\$ 35,069

LU 000318

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)
TAXES OTHER THAN INCOME
Test Year Ended December 31, 2015

Schedule 3
Page 39

Description	Per Books		Adjustments	Ref.	Adjusted Amount
	Woodmark	Tall Timbers			
408 Taxes Other than Income					
Property Taxes	\$ 97,344	\$ 65,983	\$ 16,198	(a)	\$ 179,525
Texas Franchise Tax	9,000	-	19,548	(b)	28,548
Total Taxes Other than Income	\$ 106,344	\$ 65,983			\$ 208,074

(a) To include property taxes on Construction Completed not Classified

Test Year Property Taxes	Schedule 3	\$ 163,327
Net Plant in Service	Schedule 5	\$ 9,606,454

Property Tax Rate
Construction Completed not Classified
1.70%
\$ 952,750

CCNC Property Taxes

\$ 16,198

(b) Total Cost of Service
Applicable Margin Percentage

Schedule 1	\$ 3,806,415
70%	

Taxable Margin
Texas Franchise Tax Rate
2,664,490
0.75%

Texas Franchise Tax

\$ 28,548

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)
DEPRECIATION EXPENSE
Test Year Ended December 31, 2015

Schedule 4
Page 40

Description	Life	Per Books		Adjustments	Ref.	Adjusted Amount
		Woodmark	Tall Timbers			
352 Franchises	-	\$ 10,791	\$ -	\$ (10,791)	(a)	\$ -
353 Land and Land Rights	30	114,420	73,439	3,268	(b)	191,127
354 Structures and Improvements	20	(568)				(568)
355 Power Generation Equipment	50	928	12,388			13,316
360 Collection Sewers - Force	50	12,863	11,345	265	(b)	24,474
361 Collection Sewers - Gravity	20	10,948	5,302	561	(b)	16,811
363 Services to Customers	20					-
364 Flow Measuring Devices	30	2,829				2,829
370 Receiving Wells	5	171,223	194,428	75,105	(b)(c)	440,756
371 Pumping Equipment	25	73,475	25,014	13,007	(b)	111,497
380 Treatment and Disposal Equipment	40	12,292	9,914	1,835	(b)	24,041
381 Plant Sewers	20	1,866	3,433			5,299
389 Other Plant and Miscellaneous Equipment	10	6,217	3,594			9,811
390 Office Furniture and Equipment	5	297	824	925	(b)	2,047
390.1 Computer & Software	5	3,615	554			4,169
391 Transportation Equipment	5	23,290	8,077	1,145	(b)	32,511
393 Tools, Shop and Garage Equipment	10	(9,094)		633	(b)	(8,461)
394 Laboratory Equipment	20	-	259			259
395 Power Operated Equipment	15	309	504	456	(b)	1,268
396 Communication Equipment						
272 Amortization of CIAC		(77,770)	(58,271)			(136,041)
Total Depreciation Expense		\$ 357,932	\$ 290,804			\$ 735,146

- (a) To remove amortization of intangible asset.
(b) To include depreciation expense on Construction Completed not Classified
(c) To adjust depreciation expense recorded on books during 2015 to correct total.

LU 000320

Description	Per Books		Adjustment	Ref.	Adjusted Amount
	Woodmark	Tall Timbers			
Property, Plant & Equipment					
352 Franchises	\$ 431,640	\$ -	\$ (431,640)	(a)	\$ -
353 Land and Land Rights	25,000	164,003			189,003
354 Structures and Improvements	3,384,080	2,360,791	98,053	(b)	5,842,924
355 Power Generation Equipment	2,200	-			2,200
360 Collection Sewers - Force	46,402	619,378			665,780
361 Collection Sewers - Gravity	643,162	567,272	13,258	(b)	1,223,692
363 Services to Customers	218,960	111,909	11,229	(b)	342,098
364 Flow Measuring Devices	2,582	-			2,582
370 Receiving Wells	84,881	-			84,881
371 Pumping Equipment	1,047,618	1,122,876	408,100	(b)	2,578,593
380 Treatment and Disposal Equipment	1,836,113	625,338	325,184	(b)	2,786,635
381 Plant Sewers	490,008	198,286	73,405	(b)	761,699
389 Other Plant and Miscellaneous Equipment	37,315	83,485			120,800
390 Office Furniture and Equipment	91,225	49,607			140,833
390.1 Computer & Software	1,487	4,122	4,626	(b)	10,235
391 Transportation Equipment	82,240	32,229			114,469
393 Tools, Shop and Garage Equipment	118,327	42,540	5,723	(b)	166,590
394 Laboratory Equipment	9,459	-	6,332	(b)	15,791
395 Power Operated Equipment	-	7,770			7,770
396 Communication Equipment	4,632	7,554	6,839	(b)	19,025
Plant in Service	\$ 8,557,331	\$ 5,997,159			\$ 15,075,600
Accumulated Depreciation					
352 Franchises	\$ (107,466)	\$ -	\$ 107,466	(a)	\$ -
354 Structures and Improvements	(1,298,386)	(1,040,715)			(2,339,100)
354 Structures and Improvements	19,815	2,804			22,619
355 Power Generation Equipment	(1,008)	-			(1,008)
360 Collection Sewers - Force	(1,397)	(64,884)			(66,281)
361 Collection Sewers - Gravity	(158,850)	(96,361)			(255,211)
361 Collection Sewers - Gravity	647	8,934			9,582
363 Services to Customers	(103,617)	(37,715)			(141,331)
364 Flow Measuring Devices	(2,582)	-			(2,582)
370 Receiving Wells	(4,480)	-			(4,480)
371 Pumping Equipment	(570,395)	(478,512)			(1,048,907)
380 Treatment and Disposal Equipment	(287,235)	(37,091)			(324,326)
380 Treatment and Disposal Equipment	568	-			568
381 Plant Sewers	(25,176)	(12,393)			(37,569)
389 Other Plant and Miscellaneous Equipment	(22,955)	(30,319)			(53,275)
390 Office Furniture and Equipment	(53,455)	(23,563)			(77,018)
390 Office Furniture and Equipment	(489)	(962)			(1,451)
390 Office Furniture and Equipment	-	(358)			(358)
391 Transportation Equipment	(69,586)	(30,219)			(99,805)
393 Tools, Shop and Garage Equipment	(55,551)	(20,971)			(76,522)
393 Tools, Shop and Garage Equipment	38	-			38
394 Laboratory Equipment	(18,553)	-			(18,553)
395 Power Operated Equipment	-	(259)			(259)
396 Communication Equipment	(462)	(704)			(1,167)
Accumulated Depreciation	\$ (2,760,574)	\$ (1,863,289)			\$ (4,516,396)
Working Capital					
Cash Working Capital Allowance	\$ -	\$ -	165,321	(c)	\$ 165,321
162 Prepayments	1,877	2,051	(991)	(d)	2,937
Working Capital					\$ 168,258
Non-Investor Supplied Capital					
190 ADIT -- Net Operating Loss Carry-Forwards			672,689	(e)	\$ 672,689
235 Customer Deposits	(16,259)	(12,952)			(29,212)
271 Contributions in Aid of Construction	(2,333,088)	(1,443,850)			(3,776,938)
272 Accumulated Amortization of Contributions in Aid of Construction	830,861	357,096			1,187,957
281 ADIT -- Accelerated Depreciation of Property			(1,636,298)	(e)	(1,636,298)
282 ADIT -- Other Property			(71,289)	(e)	(71,289)
283 ADIT -- Other (Bad Debts)			2,005	(e)	2,005
Non-Investor Supplied Capital					\$ (3,651,086)
RATE BASE					\$ 7,076,376

(a) To remove intangible asset and associated accumulated amortization

(b) To include Completed Construction not Classified

(c) O&M Expenses (Schedule 2)
 1/12th Factor

\$ 1,983,847
 8.33%
Cash Working Capital Allowance \$ 165,321

(d) To adjust to 2015 13-month average balance

(e) To reflect ADIT not recorded on books

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)
RATE OF RETURN
Test Year Ended December 31, 2015

OVERALL RATE OF RETURN

Description	Per Books		Percent	Requested	
	Woodmark	Tall Timbers		Component Cost	Weighted Cost
Debt	\$ -	\$ -	30.00%	4.95% (a)	1.49%
Equity	2,210,756	2,559,492	70.00%	10.16% (b)	7.11%
Total	\$ 2,210,756	\$ 2,559,492	100.00%		
Overall Rate of Return					8.60%

(a) Average Cost of Debt:

	% of Total	Cost	Weighted Cost
Senior Unsecured Debt (AZ and TX)	50.00%	5.60%	2.80%
Liberty Utilities Company General Debt	50.00%	4.30%	2.15%
Cost of Debt			4.95%

(b) Moody's July 2016 Baa utility yield of 4.16% plus 6.00% risk premium.

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)

RETURN AND INCOME TAXES

Test Year Ended December 31, 2015

Schedule 7
Page 43

<u>Description</u>	<u>Reference</u>	<u>Amount</u>
<u>Return on Investment:</u>		
Rate Base	Schedule 5	\$ 7,076,376
Rate of Return	Schedule 6	8.60%
Return on Investment		\$ 608,356
<u>Interest Expense:</u>		
Rate Base	Schedule 5	\$ 7,076,376
Weighted Cost of Debt	Schedule 6	1.49%
Interest Expense		(105,084)
Return on Equity		\$ 503,272
Income Tax Factor	(1+ (35%/(1 - 35%)))	1.538462
Taxable Income		\$ 774,264
Federal Corporate Income Tax Rate		35.00%
Income Tax Expense		\$ 270,993

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)
OTHER INCOME AND BILLING UNITS
Test Year Ended December 31, 2015

Schedule 8
Page 44

Description	Per Books		Adjustment	Ref.	Adjusted
	Woodmark	Tall Timbers			
Other Income					
536 Other WasteWater Revenues		Establishment Fees			
536 Other WasteWater Revenues	\$ (5,500)	\$ (19,225)		\$	(24,725)
536 Other WasteWater Revenues	(25,375)	(8,025)			(33,400)
536 Other WasteWater Revenues	(17,826)	(10,745)			(28,571)
536 Other WasteWater Revenues	-	28			28
Total Other Income	\$ (48,701)	\$ (37,967)		\$	(86,668)
2015 Billing Units (a)					
January	1,876	2,135			4,011
February	1,783	2,307			4,089
March	1,760	2,184			3,944
April	1,763	2,214			3,977
May	1,781	2,212			3,993
June	1,794	2,231			4,025
July	1,781	2,516			4,297
August	1,798	2,241			4,038
September	1,783	2,266			4,048
October	1,785	2,273			4,058
November	1,791	2,267			4,058
December	1,794	2,267			4,061
Total Base Equivalent Rates	21,488	27,112			48,600

(a) Calculated from monthly billing records.

LU 000324

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)
SECOND-STEP RATE INCREASE
Test Year Ended December 31, 2015

Schedule 9
Page 47

Description	Reference	Description			Amounts
		TT -- WWTP	Relocation	WM -- WWTP	
Investment in Property, Plant, and Equipment:					
354 Structures and Improvements		\$ 161,219		\$ 1,670,840	\$ 1,832,059
360 Collection Sewers - Force			\$ 885,776		885,776
371 Pumping Equipment		173,167		241,414	414,581
380 Treatment and Disposal Equipment				1,275,160	1,275,160
381 Plant Sewers		50,951		262,236	313,187
389 Other Plant and Miscellaneous Equipment		54,029			54,029
Second-step Investment		\$ 439,366	\$ 885,776	\$ 3,449,650	\$ 4,774,792
Operations and Maintenance Expenses:					
Operating Expenses					
710 Purchased Water		\$ -	\$ -	(12,000)	\$ (12,000)
711 Sludge Removal Expense		-	-	5,800	5,800
715 Purchased Power		-	-	50,426	50,426
Second-step O&M Expenses					\$ 44,226
Bad Debts Expense:					
Second-Step Cost of Service					\$ 955,981
Bad Debt Ratio	Schedule 2				0.921%
Second-step Bad Debts Expense					8,808
Taxes Other than Income					
Property Taxes					
Test Year Property Taxes	Schedule 3			\$ 163,327	
Net Plant in Service	Schedule 5			\$ 9,606,454	
Property Tax Rate					1.70%
Additional Investment					\$ 4,774,792
Second-step Property Taxes					81,180
Texas Franchise Taxes					
Second-Step Cost of Service				\$ 955,981	
Applicable Margin Percentage	Schedule 3			70%	
Taxable Margin					\$ 669,187
Texas Franchise Tax Rate	Schedule 3				0.75%
Second-step Texas Franchise Tax					5,019
Depreciation Expense:					
		Life	Cost	Depr. Expense	
354 Structures and Improvements	Schedule 4	30	\$ 1,832,059	\$ 61,069	
360 Collection Sewers - Force	Schedule 4	50	885,776	17,716	
371 Pumping Equipment	Schedule 4	5	414,581	82,916	
380 Treatment and Disposal Equipment	Schedule 4	25	1,275,160	51,006	
381 Plant Sewers	Schedule 4	40	313,187	7,830	
389 Other Plant and Miscellaneous Equipment	Schedule 4	20	54,029	2,701	
Second-step Depreciation Expense					223,238
Return on Investment:					
Second-step Investment					\$ 4,774,792
Cash Working Capital Allowance					
Additional O&M and A&G Expenses			\$ 53,034		
1/12th Factor			8.33%		
Additional Cash Working Capital Allowance				4,419	
Additional Rate Base				\$ 4,779,212	
Rate of Return	Schedule 6			8.60%	
Second-step Return on Investment					410,489
Income Taxes:					
Additional Rate Base			\$ 4,779,212		
Weighted Cost of Equity	Schedule 6		7.11%		
Second-step Equity Return				\$ 339,898	
Income Tax Factor	Schedule 7			0.538462	
Second-step Income Taxes					183,022
Second-step Cost of Service					\$ 955,981
Billing Units	Schedule 8				48,600
SECOND-STEP BASE EQUIVALENT RATE INCREASE					
					\$ 19.67

BRUCE H. FAIRCHILD

FINCAP, INC.
Financial Concepts and Applications
Economic and Financial Counsel

3907 Red River
Austin, Texas 78751
(512) 458-4644
FAX (512) 458-4768
fincap2@texas.net

Summary of Qualifications

M.B.A. and Ph.D. in finance, accounting, and economics; Certified Public Accountant. Extensive consulting experience involving regulated industries, valuation of closely-held businesses, and other economic analyses. Previously held managerial and technical positions in government, academia, and business, and taught at the undergraduate, graduate, and executive education levels. Broad experience in technical research, computer modeling, and expert witness testimony.

Employment

Principal,
FINCAP, Inc.
(Sep. 1979 to present)

Economic consulting firm specializing in regulated industries and valuation of closely-held businesses. Assignments have involved electric, gas, telecommunication, and water/sewer utilities, with clients including utilities, consumer groups, municipalities, regulatory agencies, and cogenerators. Areas of participation have included revenue requirements, rate of return, rate design, tariff analysis, avoided cost, forecasting, and negotiations. Other assignments have involved some seventy valuations as well as various economic (e.g., damage) analyses, typically in connection with litigation. Presented expert witness testimony before courts and regulatory agencies on over one hundred occasions.

Adjunct Assistant Professor,
University of Texas at Austin
(Sep. 1979 to May. 1981)

Taught undergraduate courses in finance: Fin. 370 – Integrative Finance and Fin. 357 – Managerial Finance.

*Assistant Director, Economic
Research Division,*
Public Utility Commission of Texas
(Sep. 1976 to Aug. 1979)

Division consisted of approximately twenty-five financial analysts, economists, and systems analysts responsible for rate of return, rate design, special projects, and computer systems. Directed Staff participation in rate cases, presented testimony on approximately thirty-five occasions, and was involved in some forty other cases ultimately settled. Instrumental in the initial development of rate of return and financial policy for newly-created agency. Performed independent research and managed State and Federal funded projects. Assisted in preparing appeals to the Texas Supreme Court and testimony presented before the Interstate Commerce Commission and Department of Energy. Maintained communications with financial community, industry representatives, media, and consumer groups. Appointed by Commissioners as Acting Director.

Assistant Professor, College of Business Administration, University of Colorado at Boulder
(Jan. 1977 to Dec. 1978)

Taught graduate and undergraduate courses in finance: Fin. 305 – Introductory Finance, Fin. 401 – Managerial Finance, Fin. 402 – Case Problems in Finance, and Fin. 602 – Graduate Corporate Finance.

Teaching Assistant, University of Texas at Austin
(Jan. 1973 to Dec. 1976)

Taught undergraduate courses in finance and accounting: Acc. 311 – Financial Accounting, Acc. 312 – Managerial Accounting, and Fin. 357 – Managerial Finance. Elected to College of Business Administration Teaching Assistants' Committee.

Internal Auditor, Sears, Roebuck and Company, Dallas, Texas
(Nov. 1970 to Aug. 1972)

Performed audits on internal operations involving cash, accounts receivable, merchandise, accounting, and operational controls, purchasing, payroll, etc. Developed operating and administrative policy and instruction. Performed special assignments on inventory irregularities and Justice Department Civil Investigative Demands:

Accounts Payable Clerk, Transcontinental Gas Pipeline Corp., Houston, Texas
(May. 1969 to Aug. 1969)

Processed documentation and authorized payments to suppliers and creditors.

Education

Ph.D., Finance, Accounting, and Economics, University of Texas at Austin
(Sep. 1974 to May 1980)

Doctoral program included coursework in corporate finance, investment theory, accounting, and economics. Elected to honor society of Phi Kappa Phi. Received University outstanding doctoral dissertation award

Dissertation: *Estimating the Cost of Equity to Texas Public Utility Companies*

M.B.A., Finance and Accounting, University of Texas at Austin,
(Sep. 1972 to Aug. 1974)

Awarded Wright Patman Scholarship by World and Texas Credit Union Leagues.

Professional Report: *Planning a Small Business Enterprise in Austin, Texas*

B.B.A., Accounting and Finance, Southern Methodist University, Dallas, Texas
(Sep. 1967 to Dec. 1971)

Dean's List 1967-1971 and member of Phi Gamma Delta Fraternity.

Other Professional Activities

Certified Public Accountant, Texas Certificate No. 13,710 (October 1974); entire exam passed in May 1972. Member of the American Institute of Certified Public Accountants.

Participated as session chairman, moderator, and paper discussant at annual meetings of Financial Management Association, Southwestern Finance Association, American Finance Association, and other professional associations.

Visiting lecturer in Executive M.B.A program at the University of Stellenbosch Graduate Business School, Belleville, South Africa (1983 and 1984).

Associate Editor of *Austin Financial Digest*, 1974-1975. Wrote and edited a series of investment and economic articles published in a local investment advisory service.

Military

Texas Army National Guard, Feb. 1970 to Sep. 1976. Specialist 5th Class with duty assignments including recovery vehicle operator for armor unit and company clerk for finance unit.

Bibliography**Monographs**

- "On the Use of Security Analysts' Growth Projections in the DCF Model," with William E. Avera, *Earnings Regulation Under Inflation*, J. R. Foster and S. R. Holmberg, eds., Institute for Study of Regulation (1982).
- "An Examination of the Concept of Using Relative Customer Class Risk to Set Target Rates of Return in Electric Cost-of-Service Studies", with William E. Avera, Electricity Consumers Resource Council (ELCON) (1981); portions reprinted in *Public Utilities Fortnightly* (Nov. 11, 1982).
- "The Spring Thing (A) and (B)" and "Teaching Notes", with Mike E. Miles, a two-part case study in the evaluation, management, and control of risk; distributed by *Harvard's Intercollegiate Case Clearing House*; reprinted in *Strategy and Policy: Concepts and Cases*, A. A. Strickland and A. J. Thompson, Business Publications, Inc. (1978) and *Cases in Managing Financial Resources*, I. Matur and D. Loy, Reston Publishing Co., Inc. (1984).
- "Energy Conservation in Existing Residences, Project Director for development of instruction manual and workshops promoting retrofitting of existing homes, *Governor's Office of Energy Resources and Department of Energy* (1977-1978).
- "Linear Algebra," "Calculus," "Sets and Functions," and "Simulation Techniques," contributed to and edited four mathematics programmed learning texts for MBA students, *Texas Bureau of Business Research* (1975).

Articles and Notes

- "How to Value Personal Service Practices," with Keith Wm. Fairchild, *The Practical Accountant* (August 1989).
- "The Impact of Regulatory Climate on Utility Capital Costs: An Alternative Test," with Adrien M. McKenzie, *Public Utilities Fortnightly* (May 25, 1989).
- "North Arctic Industries, Limited," with Keith Wm. Fairchild, *Case Research Journal* (Spring 1988).
- "Regulatory Effects on Electric Utilities' Cost of Capital Reexamined," with Louis E. Buck, Jr., *Public Utilities Fortnightly* (September 2, 1982).
- "Capital Needs for Electric Utility Companies in Texas: 1976-1985", *Texas Business Review* (January-February 1979), reprinted in "The Energy Picture: Problems and Prospects", J. E. Pluta, ed., *Bureau of Business Research* (1980).
- "Some Thoughts on the Rate of Return to Public Utility Companies," with William E. Avera, *Proceedings of the NARUC Biennial Regulatory Information Conference* (1978).
- "Regulatory Problems of EFTS," with Robert McLeod, *Issues in Bank Regulation* (Summer 1978) reprinted in *Illinois Banker* (January 1979).
- "Regulation of EFTS as a Public Utility," with Robert McLeod, *Proceedings of the Conference on Bank Structure and Competition* (1978).
- "Equity Management of REA Cooperatives," with Jerry Thomas, *Proceedings of the Southwestern Finance Association* (1978).
- "Capital Costs Within a Firm," *Proceedings of the Southwestern Finance Association* (1977).
- "The Cost of Capital to a Wholly-Owned Public Utility Subsidiary," *Proceedings of the Southwestern Finance Association* (1977).

Selected Papers and Presentations

- "Perspectives on Texas Utility Regulation", TSCPA 2016 Energy Conference, Austin, Texas (May 16, 2016).
- "Legislative Changes Affecting Texas Utilities," Texas Committee of Utility and Railroad Tax Representatives, Fall Meeting, Austin, Texas (September 1995).
- "Rate of Return," "Origins of Information," "Economics," and "Deferred Taxes and ITC's," New Mexico State University and National Association of Regulatory Utility Commissioners. Public Utility Conferences on Regulation and the Rate-Making Process, Albuquerque, New Mexico (October 1983, 1984, 1985, 1986, 1987, 1988, 1990, 1991, 1992, 1994, and 1995, and September 1989); Pittsburgh, Pennsylvania (April 1993); and Baltimore, Maryland (May 1994 and 1995).
- "Developing a Cost-of-Service Study," 1994 Texas Section American Water Works Association Annual Conference, Amarillo, Texas (March 1994).
- "Financial Aspects of Cost of Capital and Common Cost Considerations," Kidder, Peabody & Co. Two-Day Rate Case Workshop for Regulated Utility Companies, New York, New York (June 1993).
- "Cost-of-Service Studies and Rate Design," General Management of Electric Utilities (A Training Program for Electric Utility Managers from Developing Countries), Austin, Texas (October 1989 and November 1990 and 1991).
- "Rate Base and Revenue Requirements," The University of Texas Regulatory Institute Fundamentals of Utility Regulation, Austin, Texas (June 1989 and 1990).
- "Determining the Cost of Capital in Today's Diversified Companies," New Mexico State University Public Utilities Course Part II, Advanced Analysis of Pricing and Utility Revenues, San Francisco, California (June 1990).
- "Estimating the Cost of Equity," Oklahoma Association of Tax Representatives, Tulsa, Oklahoma (May 1990).
- "Impact of Regulations," Business and the Economy, Leadership Dallas, Dallas, Texas (November 1989).
- "Accounting and Finance Workshop" and "Divisional Cost of Capital," New Mexico State University Current Issues Challenging the Regulatory Process, Albuquerque, New Mexico (April 1985 and 1986) and Santa Fe, New Mexico (March 1989).
- "Divisional Cost of Equity by Risk Comparability and DCF Analyses," NARUC Advanced Regulatory Studies Program, Williamsburg, Virginia (February 1988) and USTA Rate of Return Task Force, Chicago, Illinois (June 1988).
- "Revenue Requirements," Revenue, Pricing, and Regulation in Texas Water Utilities, Texas Water Utilities Conference, Austin, Texas (August 1987 and May 1988).
- "Rate Filing – Basic Ratemaking," Texas Gas Association Accounting Workshop, Austin, Texas (March 1988).
- "The Effects of Regulation on Fair Market Value: P.H. Robinson – A Case Study," Annual Meeting of the Texas Committee of Utility and Railroad Tax Representatives, Austin, Texas (September 1987).
- "How to Value Closely-held Businesses," TSCPA 1987 Entrepreneurs Conference, San Antonio, Texas (May 1987).
- "Revenue Requirements" and "Determining the Rate of Return", New Mexico State University Regulation and the Rate-Making Process, Southwestern Water Utilities Conference, Albuquerque, New Mexico (July 1986) and El Paso, Texas (November 1980).
- "How to Evaluate Personal Service Practices," TSCPA CPE Exposition 1985, Houston and Dallas, Texas (December 1985).
- "How to Start a Small Business – Accounting and Record Keeping," University of Texas Management Development Program, Austin, Texas (October 1984).

- "Project Financing of Public Utility Facilities", TSCPA Conference on Public Utilities Accounting and Ratemaking, San Antonio, Texas (April 1984).
- "Valuation of Closely-Held Businesses," Concho Valley Estate Planning Council, San Angelo, Texas (September 1982).
- "Rating Regulatory Performance and Its Impact on the Cost of Capital," New Mexico State University Seminar on Regulation and the Cost of Capital, El Paso, Texas (May 1982).
- "Effect of Inflation on Rate of Return," Cost of Capital Conference and Workshop, Pinehurst, North Carolina (April 1981).
- "Original Cost Versus Current Cost Regulation: A Re-examination," Financial Management Association, New Orleans, Louisiana (October 1980).
- "Capital Investment Analysis for Electric Utilities," The University of Texas at Dallas, Richardson, Texas (June 1980).
- "The Determinants of Capital Costs to the Electric Utility Industry," with Cedric E. Grice, Southwestern Finance Association, San Antonio, Texas (March 1980).
- "The Entrepreneur and Management: A Case Study," Small Business Administration Seminar, Austin, Texas (October 1979).
- "Capital Budgeting by Public Utilities: A New Perspective," with W. Clifford Atherton, Jr., Financial Management Association, Boston, Massachusetts (October 1979).
- "Issues in Regulated Industries – Electric Utilities," University of Texas at Dallas 4th Annual Public Utilities Conference, Dallas, Texas (July 1979).
- "Investment Conditions and Strategies in Today's Markets," American Society of Women Accountants, Austin, Texas (January 1979).
- "Attrition: A Practical Problem in Determining a Fair Return to Public Utility Companies," Financial Management Association, Minneapolis, Minnesota (October 1978).
- "The Cost of Equity to Wholly-Owned Electric Utility Subsidiaries," with William L. Beedles, Financial Management Association, Minneapolis, Minnesota (October 1978).
- "PUC Retrofitting Program," Texas Electric Cooperatives Spring Workshop, Austin, Texas (May 1978).
- "The Economics of Regulated Industries," Consumer Economics Forum, Houston, Texas (November 1977).
- "Public Utilities as Consumer Targets – Is the Pressure Justified?," University of Texas at Dallas 2nd Annual Public Utilities Conference, Dallas, Texas (July 1977).

BRUCE H. FAIRCHILD
SUMMARY OF TESTIMONY BEFORE REGULATORY AGENCIES

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
1.	Arkansas Electric Cooperative	Arkansas PSC	U-3071	Aug-80	Wholesale Rate Design
2.	East Central Oklahoma Electric Cooperative	Oklahoma CC	26925	Sep-80	Retail Rate Design
3.	Kansas Gas & Electric Company	Kansas CC	115379-U	Nov-80	PURPA Rate Design Standards
4.	Kansas Gas & Electric Company	Kansas CC	128139-U	May-81	Attrition
5.	City of Austin Electric Department	City of Austin	--	Jun-81	PURPA Rate Design Standards
6.	Tarrant County Water Control and Improvement District No. 1	Texas Water Commission	--	Oct-81	Wholesale Rate Design
7.	Owentown Gas Company	Texas RRC	2720	Jan-82	Revenue Requirements and Retail Rate Design
8.	Kansas Gas & Electric Company	Kansas CC	134792-U	Aug-82	Attrition
9.	Mississippi Power Company	Mississippi PSC	U-4190	Sep-82	Working Capital
10.	Lone Star Gas Company	Texas RRC	3757; 3794	Feb-83	Rate of Return on Equity
11.	Kansas Gas & Electric Company	Kansas CC	134792-U	Feb-83	Rate of Return on Equity
12.	Southwestern Bell Telephone Company	Oklahoma CC	28002	Oct-83	Rate of Return on Equity
13.	Morgas Company	Texas RRC	4063	Nov-83	Revenue Requirements
14.	Seagull Energy	Texas RRC	4541	Jul-84	Rate of Return
15.	Southwestern Bell Telephone Company	FCC	84-800	Nov-84	Rate of Return on Equity
16.	Kansas Gas & Electric Company, Kansas City Power & Light Company, and Kansas Electric Power Cooperatives	Kansas CC	142098-U; 142099-U; 142100-U	May-85	Nuclear Plant Capital Costs and Allowance for Funds Used During Construction
17.	Lone Star Gas Company	Texas RRC	5207	Oct-85	Overhead Cost Allocation
18.	Westar Transmission Company	Texas RRC	5787	Nov-85 Jan-86 Jul-86	Rate of Return, Rate Design, and Gas Processing Plant Economics
19.	City of Houston	Texas Water Commission	RC-022; RC-023	Nov-86	Line Losses and Known and Measurable Changes
20.	ENSTAR Natural Company	Alaska PUC	TA 50-4; R-87-2; U-87-2	Nov-86 May-87 May-87	Cost Allocation, Rate Design, and Tax Rate Changes
21.	Brazos River Authority	Texas Water Commission	RC-020	Jan-87	Revenue Requirements and Rate Design
22.	East Texas Industrial Gas Company	Texas RRC	5878	Feb-87	Revenue Requirements and Rate Design
23.	Seagull Energy	Texas RRC	6629	Jun-87	Revenue Requirements

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies
(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
24.	ENSTAR Natural Company	Alaska PUC	U-87-42	Jul-87 Sep-87 Sep-87	Cost Allocation, Rate Design, and Contracts
25.	High Plains Natural Gas Company	Texas RRC	6779	Sep-87	Rate of Return
26.	Hughes Texas Petroleum	Texas RRC	2-91,855	Jan-88	Interim Rates
27.	Cavallo Pipeline Company	Texas RRC	7086	Sep-88	Revenue Requirements
28.	Union Gas System, Inc.	Kansas CC	165591-U	Mar-89 Aug-89	Rate of Return
29.	ENSTAR Natural Gas Company	Alaska PUC	U-88-70	Mar-89	Cost Allocation and Bypass
30.	Morgas Co.	Texas RRC	7538	Aug-89	Rate of Return and Cost Allocation
31.	Corpus Christi Transmission Company	Texas RRC	7346	Sep-89	Revenue Requirements
32.	Amoco Gas Co.	Texas RRC	7550	Oct-89	Rate of Return and Cost Allocation
33.	Iowa Southern Utilities	Iowa Utilities Board	RPU-89-7	Nov-89 Mar-90	Rate of Return on Equity
34.	Southwestern Bell Telephone Company	FCC	89-624	Feb-90 Apr-90	Rate of Return on Equity
35.	Lower Colorado River Authority	Texas PUC	9427	Mar-90 Aug-90 Aug-90	Revenue Requirements
36.	Rio Grande Valley Gas Company	Texas RRC	7604	May-90	Consolidated FIT and Depreciation
37.	Southern Union Gas Company	El Paso PURB	--	Oct-90	Disallowed Expenses and FIT
38.	Iowa Southern Utilities	Iowa Utilities Board	RPU-90-8	Nov-90 Feb-91	Rate of Return on Equity
39.	East Texas Gas Systems	Texas RRC	7863	Dec-90	Revenue Requirements
40.	San Jacinto Gas Transmission	Texas RRC	7865	Dec-90	Revenue Requirements
41.	Southern Union Gas Company	Austin; Texas RRC	-- 7878	Feb-91 Feb-91	Rate of Return and Acquisition Adjustment
42.	Southern Union Gas Company	Port Arthur; Texas RRC	-- 8033	Mar-91 Aug-91 Oct-91	Rate of Return and Acquisition Adjustment
43.	Cavallo Pipeline Company	Texas RRC	8016	Jun-91	Revenue Requirements
44.	New Orleans Public Service Inc.	New Orleans City Council	CD-91-1	Jun-91 Mar-92	Rate of Return on Equity
45.	Houston Pipe Line Company	Texas RRC	8017	Jul-91	Rate of Return

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies
(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
46.	Southern Union Gas Company	El Paso PURB	--	Aug-91 Sep-91	Acquisition Adjustment
47.	Southwestern Gas Pipeline, Inc.	Texas RRC	8040	Jan-92 Feb-92	Rate Design and Settlement
48.	City of Fort Worth	Texas Water Commission	8748-A 9261-A	Mar-92 Aug-92 Dec-92 Oct-94 Nov-94	Interim Rates, Revenue Requirements, and Public Interest
49.	Southern Union Gas Company	Oklahoma Corp. Com.	--	Jun-92	Rate of Return
50.	Minnegasco	Minnesota PUC	G-008/GR- 92-400	Jul-92 Dec-92	Rate of Return
51.	Guadalupe-Blanco River Authority	Texas PUC	11266	Sep-92	Cost Allocation and Bond Funds
52.	Dorchester Intra-State Gas System	Texas RRC	8111	Oct-92 Nov-92	Rate Impact of System Upgrade
53.	Corpus Christi Transmission Company GP and GPII	Texas RRC	8300 8301	Oct-92 Oct-92	Revenue Requirements
54.	East Texas Industrial Gas Company	Texas RRC	8326	Mar-93	Revenue Requirements
55.	Arkansas Louisiana Gas Company	Arkansas PSC	93-081-U	Apr-93 Oct-93	Rate of Return on Equity
56.	Texas Utilities Electric Company	Texas PUC	11735	Jun-93 Jul-93	Impact of Nuclear Plant Construction Delay
57.	Minnegasco	Minnesota PUC	G-008/GR- 93-1090	Nov-93 Apr-94	Rate of Return
58.	Gulf States Utilities Company	Municipalities	--	May-94 Oct-94 Nov-94	Rate of Return on Equity
59.	Louisiana Power & Light Company	Louisiana PSC	U-20925	Aug-94 Feb-95	Rate of Return on Equity
60.	San Jacinto Gas Transmission	Texas RRC	8429	Sep-94	Revenue Requirements
61.	Cavallo Pipeline Company	Texas RRC	8465	Sep-94	Revenue Requirements
62.	Eastrans Limited Partnership	Texas RRC	8385	Oct-94	Revenue Requirements
63.	Gulf States Utilities Company	Louisiana PSC	U-19904	Oct-94	Rate of Return on Equity
64.	Entergy Services, Inc.	FERC	ER95-112- 000	Mar-95 Nov-95	Rate of Return on Equity
65.	East Texas Gas Systems	Texas RRC	8435	Apr-95	Revenue Requirements
66.	System Energy Resources, Inc.	FERC	ER95-1042- 000	May-95 Dec-95 Jan-96	Rate of Return on Equity

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies
(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
67.	Minnegasco	Minnesota PUC	G-008/GR-95-700	Aug-95 Dec-95	Rate of Return
68.	Entex	Louisiana PSC	U-21586	Aug-95	Rate of Return
69.	City of Fort Worth	Texas NRCC	SOAH 582-95-1084	Nov-95	Public Interest of Contract
70.	Seagull Energy Corporation	Texas RRC	8589	Nov-95	Revenue Requirements
71.	Corpus Christi Transmission Company LP	Texas RRC	8449	Feb-96	Revenue Requirements
72.	Missouri Gas Energy	Missouri PSC	GR-96-285	Apr-96 Sep-96 Oct-96	Rate of Return
73.	Entex	Mississippi PSC	96-UA-202	May-96	Rate of Return
74.	Entergy Gulf States, Inc.	Louisiana PSC	U-22084	May-96	Rate of Return on Equity (Gas)
75.	Entergy Gulf States, Inc.	Louisiana PSC	U-22092	May-96 Oct-96	Rate of Return on Equity
76.	American Gas Storage, L.P.	Texas RRC	8591	Sep-96	Revenue Requirements
77.	Entergy Louisiana, Inc.	Louisiana PSC	U-20925	Sep-96 Oct-96	Rate of Return on Equity
78.	Lone Star Pipeline and Gas Company	Texas RRC	8664	Oct-96 Jan-97	Rate of Return
79.	Entergy Arkansas, Inc.	Arkansas PSC	96-360-U	Oct-96 Sep-97	Rate of Return on Equity
80.	East Texas Gas Systems	Texas RRC	8658	Nov-96	Revenue Requirements
81.	Entergy Gulf States, Inc.	Texas PUC	16705	Nov-96 Jul-97	Rate of Return on Equity
82.	Eastrans Limited Partnership	Texas RRC	8657	Nov-96	Revenue Requirements
83.	Enserch Processing, Inc.	Texas RRC	8763	Nov-96	Interim Rates
84.	Entergy New Orleans, Inc.	City of New Orleans	UD-97-1	Feb-97 Mar-97 May-98	Rate of Return on Equity
85.	ENSTAR Natural Gas Company	Alaska PUC	U-96-108	Mar-97 Apr-97	Service Area Certificate
86.	San Jacinto Gas Transmission	Texas RRC	8741	Sep-97	Revenue Requirements
87.	Missouri Gas Energy	Missouri PSC	GR-98-140	Nov-97 Apr-98 May-98	Rate of Return
88.	Corpus Christi Transmission Company LP	Texas RRC	8762	Dec-97	Revenue Requirements
89.	Texas-New Mexico Power Company	Texas PUC	17751	Feb-98	Excess Cost Over Market
90.	Southern Union Gas Company	Texas RRC	8878	May-98	Rate of Return

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies
(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
91.	Entergy Louisiana, Inc.	Louisiana PSC	U-20925	May-98 Jul-98	Financial Integrity
92.	Entergy Gulf States, Inc.	Louisiana PSC	U-22092	May-98 Jul-98	Financial Integrity
93.	ACGC Gathering Company, LLC	Texas RRC	8896	Sep-98	Cost-based Rates
94.	American Gas Storage, L.P.	Texas RRC	8855	Oct-98	Revenue Requirements
95.	Duke Energy Intrastate Network	Texas RRC	8940	Jun-99	Rate of Return
96.	Aquila Energy Corporation	Texas RRC	8970	Aug-99	Revenue Requirements
97.	San Jacinto Gas Transmission	Texas RRC	8974	Sep-99	Revenue Requirements
98.	Southern Union Gas Company	El Paso PURB	--	Oct-99	Rate of Return
99.	TXU Lone Star Pipeline	Texas RRC	8976	Oct-99 Feb-00	Rate of Return
100.	Sharyland Utilities, L.P.	Texas PUC	21591	Nov-99	Rate of Return
101.	TXU Lone Star Gas Distribution	Texas RRC	9145	Apr-00 Aug-00	Rate of Return
102.	Rotherwood Eastex Gas Storage	Texas RRC	9136	May-00	Revenue Requirements
103.	Eastex Gas Storage & Exchange, Inc.	Texas RRC	9137	May-00	Revenue Requirements
104.	Eastex Gas Storage & Exchange, Inc.	Texas RRC	9138	Jul-00	Revenue Requirements
105.	East Texas Gas Systems	Texas RRC	9139	Jul-00	Revenue Requirements
106.	Eastrans Limited Partnership	Texas RRC	9140	Aug-00	Revenue Requirements
107.	Reliant Energy – Entex	City of Tyler	--	Oct-00	Rate of Return
108.	City of Fort Worth	Texas NRCC	SOAH 582-00-1092	Dec-00	CCN – Rates and Financial Ability
109.	Entergy Services, Inc.	FERC	RTO1-75	Dec-00	Rate of Return on Equity
110.	ENSTAR Natural Gas Company	Alaska PUC	U-00-88	Jun-01 Aug-01 Nov-01 Sep-02 Dec-02	Revenue Requirements, Cost Allocation, and Rate Design
111.	TXU Gas Distribution	Texas RRC	9225	Jul-01	Rate of Return
112.	Centana Intrastate Pipeline LLC	Texas RRC	9243	Aug-01	Rate of Return
113.	Maxwell Water Supply Corp.	Texas NRCC	SOAH-582-01-0802	Oct-01 Mar-02 Apr-02	Reasonableness of Rates
114.	Reliant Energy Arkla	Arkansas PSC	01-243-U	Dec-01 Jun-01	Rate of Return
115.	Entergy Services, Inc.	FERC	ER01-2214-000	Mar-02	Rate of Return on Equity

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies
(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
116.	TXU Lone Star Pipeline	Texas RRC	9292	Apr-02	Rate of Return
117.	Southern Union Gas Company	El Paso PURB	--	Apr-02	Rate of Return
118.	San Jacinto Gas Transmission Co.	Texas RRC	9301	May-02	Rate of Return
119.	Duke Energy Intrastate Network	Texas RRC	9302	May-02	Rate of Return
120.	Reliant Energy Arkla	Oklahoma CC	200200166	May-02	Rate of Return
121.	TXU Gas Distribution	Texas RRC	9313	Jul-02 Sep-02	Rate of Return
122.	Entergy Mississippi, Inc.	Mississippi PSC	2002-UN-256	Aug-02	Rate of Return on Equity
123.	Aquila Storage & Transportation LP	Texas RRC	9323	Sep-02	Revenue Requirements
124.	Panther Pipeline Ltd.	Texas RRC	9291	Oct-02	Revenue Requirements
125.	SEMCO Energy	Michigan PSC	U-13575	Nov-02	Revenue Requirements
126.	CenterPoint Energy Entex	Louisiana PSC	U-26720	Jan-03	Rate of Return
127.	Crosstex CCNG Transmission Ltd.	Texas RRC	9363	May-03	Revenue Requirements
128.	TXU Gas Company	Texas RRC	9400	May-03 Jan-04	Rate of Return
129.	Eastrans Limited Partnership	Texas RRC	9386	May-03	Rate of Return
130.	CenterPoint Energy Entex	City of Houston		Jun-03	Rate of Return
131.	East Texas Gas Systems, L.P.	Texas RRC	9385	Jun-03	Rate of Return
132.	ENSTAR Natural Gas Company	Alaska RCA	U-03-084	Aug-03 Nov-03	Line Extension Surcharge
133.	CenterPoint Energy Arkla	Louisiana PSC		Nov-03	Rate of Return
134.	ENSTAR Natural Gas Company	Alaska RCA	U-03-091	Feb-04	Cost Separation and Taxes
135.	Sid Richardson Pipeline, Ltd.	Texas RRC	9532	Jun-04 Nov-04	Revenue Requirements
136.	ETC Katy Pipeline, Ltd.	Texas RRC	9524	Sep-04	Revenue Requirements
137.	CenterPoint Energy Entex	Mississippi PSC	03-UN-0831	Sep-04	Rate Formula
138.	Centana Intrastate Pipeline LLC	Texas RRC	9527	Sep-04	Rate of Return
139.	SEMCO Energy	Michigan PSC	U-14338	Dec-04	Revenue Requirements
140.	Atmos Energy – Energas	Texas RRC	9539	Feb-05	Regulatory Policy
141.	Crosstex North Texas Pipeline, L.P.	Texas RRC	9613	Sep-05	Revenue Requirements
142.	SiEnergy, L.P.	Texas RRC	9604	Dec-05	Rate of Return, Income Taxes, and Cost Allocation
143.	ENSTAR Natural Gas Company	Alaska RCA	TA-140-4	Feb-06	Connection Fees
144.	SEMCO Energy	Michigan PSC	U-14984	May-06 Dec-06	Revenue Requirements

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies
(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
145.	Atmos Energy – Mid-Tex	Texas RRC	9676	May-06 Oct-06	Revenue Requirements
146.	EasTrans Limited Partnership	Texas RRC	9659	Jun-06	Rate of Return
147.	Kinder Morgan Texas Pipeline, L.P.	Texas RRC	9688	Jul-06	Rate of Return
148.	Crosstex CCNG Transmission Ltd.	Texas RRC	9660	Aug-06	Revenue Requirements
149.	Enbridge Pipelines (North Texas), LP	Texas RRC	9691	Oct-06	Rate of Return
150.	Panther Interstate Pipeline Energy	FERC	CP03-338-00	Mar-07	Revenue Requirements
151.	El Paso Electric Company	Texas PUC	34494	Jul-07	CCN
152.	El Paso Electric Company	NM PRC	07-00301-UT	Jul-07	CCN
153.	Atmos Energy	Kansas CC	08-ATMG- 280-RTS	Sep-07 Feb-08	Rate of Return on Equity
154.	Centana Intrastate Pipeline LLC	Texas RRC	9759	Sep-07	Rate of Return
155.	Texas Gas Service Company	Texas RRC	9770	Nov-07	Rate of Return
156.	ENSTAR Natural Gas Company	Alaska RCA	U-08-25	Jun-08	Rate Class Switching
157.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-131-301	Oct-08	Rate of Return
158.	ExxonMobil Pipeline Co.	Alaska RCA	TL-140-304	Nov-08	Rate of Return
159.	Crosstex North Texas Pipeline, L.P.	Texas RRC	9843	Dec-08	Revenue Requirements
160.	Koch Alaska Pipeline Company	Alaska RCA	TL 128-308	Dec-08	Rate of Return
161.	Unocal Pipeline Company	Alaska RCA	TL 118-312	Dec-08	Rate of Return
162.	ETC Katy Pipeline, Ltd.	Texas RRC	9841	Dec-08	Revenue Requirements
163.	Oklahoma Natural Gas	Oklahoma CC	200800348	Jan-09	Rate of Return on Equity
164.	Entergy Mississippi, Inc.	Mississippi PSC	EC-123-0082	Mar 09	Rate of Return on Equity
165.	ENSTAR Natural Gas Company	Alaska RCA	U-09-69 U-09-70	Jun-09 Jul-09 Oct-09	Revenue Requirements, Cost Allocation, and Rate Design
166.	EasTrans, LLC	Texas RRC	9857	Jun-09	Rate of Return
167.	Oklahoma Natural Gas	Oklahoma CC	200900110	Jun-09	Rate of Return
168.	Crosstex CCNG Transmission Ltd.	Texas RRC	9858	Jun-09	Revenue Requirements
169.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-137-301	Jul-09	Rate of Return
170.	ENSTAR Natural Gas Company	Alaska RCA	U-08-142	Jul-09	Gas Cost Adjustment
171.	Kinder Morgan Texas Pipeline, LLC	Texas RRC	9889	Jul-09	Rate of Return
172.	Koch Alaska Pipeline Company	Alaska RCA	TL 133-308	Aug-09	Rate of Return
173.	ExxonMobil Pipeline Co.	Alaska RCA	TL-147-304	Nov-09	Rate of Return
174.	Texas Gas Service Company	El Paso PURB	--	Dec-09	Rate of Return
175.	Unocal Pipeline Company	Alaska RCA	TL126-312	Dec-09	Rate of Return

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies
(Continued)

176. Kuparuk Transportation Company	Alaska RCA	P-08-05	Apr-10	Rate of Return
177. Trans-Alaska Pipeline System	FERC	ISO9-348-000	Apr 10 Octo 10	Rate of Return
178. Texas Gas Service	Texas RRC	9988	May 10 Aug 10	Rate of Return
179. SEMCO Energy Gas Company	Michigan PSC	U-16169	Jun 10 Dec 10	Revenue Requirements
180. ConocoPhillips Transportation Alaska	Alaska RCA	TL-137-301	Jul 10	Rate of Return
181. Koch Alaska Pipeline Company, LLC	Alaska RCA	TL-138-308	Aug 10	Rate of Return
182. CPS Energy	Texas PUC	36633	Sep 10 Apr 11	Rate of Return for MOU
183. ExxonMobil Pipeline Co.	Alaska RCA	TL-151-304	Dec 10	Rate of Return
184. Unocal Pipeline Company	Alaska RCA	TL132-312	Feb 11	Rate of Return
185. New Mexico Gas Company	NM PRC	11-00042-UT	Mar 11	Rate of Return
186. ConocoPhillips Transportation Alaska	Alaska RCA	TL-143-301	May 11	Rate of Return
187. Enbridge Pipelines (Southern Lights)	FERC	IS11-146-000	Jun 11 Nov 11	Rate of Return
188. Koch Alaska Pipeline Company, LLC	Alaska RCA	TL-138-___	Jul 11	Rate of Return
189. Unocal Pipeline Company	Alaska RCA	TL126-___	Dec 11	Rate of Return
190. Kansas Gas Service	Kansas CC	12-KGSC- 835-RTS	May 12 Oct 12	Rate of Return
191. ExxonMobil Pipeline Co.	Alaska RCA	TL-157-304	Jun 12	Rate of Return
192. ConocoPhillips Transportation Alaska	Alaska RCA	TL-149-301	Jul 12	Rate of Return
193. Seaway Crude Pipeline Company	FERC	IS12-226-000	Aug 12 Feb 13	Rate of Return
194. Cross Texas Transmission, LLC	Texas PUC	40604	Aug 12 Oct 12 Nov 12	Revenue Requirements
195. Wind Energy Transmission Texas	Texas PUC	40606	Aug 12 Nov 12	Revenue Requirements
196. Lone Star Transmission LLC	Texas PUC	40798	Nov 12	Revenue Requirements
197. West Texas Gas Company	Texas RRC	10235	Jan 13	Rate of Return
198. Cross Texas Transmission, LLC	Texas PUC	41190	Feb 13	Revenue Requirements
199. ExxonMobil Pipeline Co.	Alaska RCA	TL-162-304	Apr 13	Rate of Return
200. EasTrans, LLC	Texas RRC	10276	Jul 13	Rate of Return
201. ConocoPhillips Transportation Alaska	Alaska RCA	TL-152-301	Jul 13	Rate of Return
202. BP Pipelines (Alaska) Inc.	Alaska RCA	TL-143-311	Sep 13	Rate of Return
203. Wind Energy Transmission Texas	Texas PUC	41923	Oct 13	Revenue Requirements
204. Oliktok Pipeline Company	Alaska RCA	P-13-013	Nov 13	Rate of Return

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies
(Continued)

205. Aqua Texas Southeast Region-Gray	Texas CEQ	2013-2007-UCR	Apr 14	Revenue Requirements
206. Entergy Mississippi	Mississippi PSC	EC-123-0082	Jun 14	Rate of Return on Equity
207. Westlake Ethylene Pipeline	Texas RRC	10358	Jul 14 Aug 15	Rates
208. ExxonMobil Pipeline Co.	Alaska RCA	TL-164-304	Jul 14	Rate of Return
209. ConocoPhillips Transportation Alaska	Alaska RCA	TL-154-301	Aug 14	Rate of Return
210. Enstar Natural Gas Company	Alaska RCA	TA-262-4	Sep 14 Jun 15	Revenue Requirements, Cost Allocation, and Rate Design
211. Oliktok Pipeline Company	Alaska RCA	TL-44-334	Mar 15	Rate of Return
212. Entergy Arkansas, Inc.	Arkansas PSC	15-0150U	Apr 15 Oct 15 Dec 15	Rate of Return on Equity
213. Wind Energy Transmission Texas	Texas PUC	44746	Jun 15	Revenue Requirements
214. Texas City	Texas RRC	10408	Jun 15 Nov 15	Pipeline Annual Assessment
215. Oklahoma Natural Gas	Oklahoma CC	201500213	Jul 15 Nov 15	Rate of Return
216. PTE Pipeline LLC	Alaska RCA	P-12-015	Sep 15	Rate of Return
217. Northeast Transmission Development, LLC	FERC	ER16-453	Dec 15	Formula Rates
218. Oncor Electric Delivery	Texas PUC	45188	Dec 15	Public Interest of Acquisition
219. Corix Utilities (Texas)	Texas PUC	45418	Dec 15	Rate of Return
220. Texas Gas Service	Texas RRC	10488	Dec 15	Rate of Return
221. Texas Gas Service	Texas RRC	10506	Mar 16 Jun 16	Rate of Return
222. Kansas Gas Service	Kansas CC	16-KGSG-491-RTS	May 16	Rate of Return on Equity
223. Enstar Natural Gas Company	Alaska RCA	TA-285-4	Jun 16	Revenue Requirements, Cost Allocation, and Rate Design
224. Texas Gas Service	Texas RRC	10526	Jun 16	Rate of Return
225. West Texas LPG Pipeline	Texas RRC	10455	Aug 16	Rates and Rate of Return

INCOME STATEMENTS

For the Year Ended December 31, 2015

	Woodmark	Tall Timbers	Combined
Operating Revenues:			
Residential	1,366,757	1,046,622	2,413,379
Commercial	57,857	238,719	296,575
Other	48,701	37,967	86,668
Total	1,473,315	1,323,307	2,796,622
Operating Expenses:			
Salaries and Wages	328,819	300,759	629,578
Purchased Water	40,092	19,868	59,960
Sludge Removal	29,964	72,687	102,652
Purchased Power and Fuel	87,088	68,933	156,021
Chemicals	26,113	12,712	38,825
Materials and Supplies	29,921	23,187	53,107
Contractual Services	373,914	360,794	734,708
Building and Equipment Rental	22,987	10,141	33,128
Transportation	20,420	16,223	36,643
Insurance	9,637	4,224	13,861
Regulatory	6,670	-	6,670
Bad Debt	16,816	8,949	25,766
Miscellaneous	43,895	46,400	90,295
Depreciation and Amortization	377,746	301,850	679,596
Taxes Other than Income	106,344	65,983	172,327
Total	1,520,426	1,312,711	2,833,137
Operating Income (Loss)	(47,112)	10,597	(36,515)
Non-Operating Income and Expenses:			
Income	25,514	3,134	28,648
Expenses	1,021	767	1,788
Total	24,493	2,367	26,860
NET INCOME (LOSS)	(22,619)	12,964	(9,654)

BALANCE SHEETS

At December 31, 2015

	Woodmark	Tall Timbers	Combined
Assets:			
Cash	490	5,292	5,782
Accounts Receivable (net)	157,941	125,453	283,393
Prepayments	1,877	2,051	3,929
Deferred Debits	2,492	(0)	2,492
Plant in Service	8,557,331	5,997,159	14,554,490
Accumulated Depreciation	(2,760,574)	(1,863,289)	(4,623,863)
Construction Work in Progress (a)	1,211,445	605,297	1,816,742
Liabilities and Capital:			
Accounts Payable	(3,154,589)	(752,097)	(3,906,686)
Customer Deposits	(16,259)	(12,952)	(29,212)
Accrued Taxes	(97,344)	(77,256)	(174,600)
Miscellaneous Liabilities	(207,954)	(292,609)	(500,563)
Construction Advances	(12,500)	(17,500)	(30,000)
Contributions in Aid of Construction (net)	(1,502,227)	(1,147,094)	(2,649,321)
Deferred Income Taxes	8,008	-	8,008
Common Stock	(483,040)	(1,100)	(484,140)
Additional Paid in Capital	(92,457)	12,719	(79,738)
Retained Earnings	(1,612,641)	(2,584,075)	(4,196,716)
Total	7,171,003	4,871,964	12,042,967
			(12,042,967)

(a) Includes Completed Construction not Classified of \$739,822 for Woodmark and \$212,928 for Tall Timbers, or a total of \$952,750.

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)
COST OF SERVICE
Test Year Ended December 31, 2015

Schedule 1
Page 1 of 1

<u>Description</u>	<u>Reference Schedule</u>	<u>Amount</u>
Operations and Maintenance Expenses	Schedule 2	\$ 1,983,847
Taxes Other than Income	Schedule 3	208,074
Depreciation Expense	Schedule 4	735,146
Return on Investment		
Rate Base	Schedule 5	\$ 7,076,376
Rate of Return	Schedule 6	8.60%
Return		<u>608,356</u>
Income Tax Expense	Schedule 7	<u>270,993</u>
Total Cost of Service		\$ 3,806,415
Other Income	Schedule 8	<u>(86,668)</u>
Net Cost of Service		\$ 3,719,747
Billing Units	Schedule 8	<u>48,600</u>
BASE EQUIVALENT RATE		<u>\$ 76.54</u>

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)
O&M AND A&G EXPENSES
Test Year Ended December 31, 2015

Schedule 2
Page 1 of 1

Description	Per Books		Adjustments	Ref.	Adjusted Amount
	Woodmark	Tall Timbers			
701 Salaries and Wages - Employees	\$ 328,819	\$ 300,759			\$ 629,578
710 Purchased Water	40,092	19,868			59,960
711 Sludge Removal Expense	29,964	72,687			102,652
715 Purchased Power	86,913	68,851			155,764
716 Fuel for Power Production	174	82			256
718 Chemicals	26,113	12,712			38,825
720 Materials and Supplies	29,921	23,187			53,107
731 Contractual Services - Engineering	-	-			-
732 Contractual Services - Accounting	348	4,512			4,859
733 Contractual Services - Legal	(4,027)	(293)			(4,319)
734 Contractual Services - Management Fees	145,692	172,756			318,448
735 Contractual Services - Testing	11,586	7,590			19,175
736 Contractual Services - Other	220,316	176,229			396,545
741 Rental of Building/Real Property	3,798	4,089			7,887
742 Rental of Equipment	19,188	6,053			25,241
750 Transportation Expenses	20,420	16,223			36,643
756 Insurance - Vehicle	2,364	1,918			4,282
757 Insurance - General Liability	7,273	2,306			9,579
766 Regulatory Commission Expenses	6,670	-	(6,670)	(a)	-
767 Regulatory Commission Expenses - Other	-	-			-
770 Bad Debt Expense	16,816	8,949	9,303	(b)	35,069
775 Miscellaneous Expenses	43,895	46,400			90,295
Total O&M and A&G Expenses	\$ 1,036,336	\$ 944,877			\$ 1,983,847

(a) To remove amortization of previous rate case expenses.

(b) 2015 Bad Debt Expense \$ 25,766
2015 Operating Revenues 2,796,622

Bad Debt Ratio 0.921%
Total Cost of Service (Schedule 1) 3,806,415

Adjusted Bad Debts Expense \$ 35,069

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)
TAXES OTHER THAN INCOME
Test Year Ended December 31, 2015

Description	Per Books		Adjustments	Ref.	Adjusted Amount
	Woodmark	Tall Timbers			
408 Taxes Other than Income					
Property Taxes	\$ 97,344	\$ 65,983	\$ 16,198	(a)	\$ 179,525
Texas Franchise Tax	9,000	-	19,548	(b)	28,548
Total Taxes Other than Income	\$ 106,344	\$ 65,983			\$ 208,074

(a) To include property taxes on Construction Completed not Classified

Test Year Property Taxes	Schedule 3	\$ 163,327
Net Plant in Service	Schedule 5	\$ 9,606,454

Property Tax Rate
Construction Completed not Classified

\$ 952,750

1.70%

\$ 16,198

CCNC Property Taxes

(b) Total Cost of Service
Applicable Margin Percentage

Schedule 1

\$ 3,806,415

70%

Taxable Margin

2,664,490

Texas Franchise Tax Rate

0.75%

Texas Franchise Tax

\$ 28,548

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)

DEPRECIATION EXPENSE

Test Year Ended December 31, 2015

Schedule 4
Page 1 of 1

Description	Life	Per Books		Adjustments	Ref.	Adjusted Amount
		Woodmark	Tall Timbers			
352 Franchises		\$	\$	\$	(a)	\$
353 Land and Land Rights						
354 Structures and Improvements	30	114,420	73,439		(b)	191,127
355 Power Generation Equipment	20	(568)		3,268		(568)
360 Collection Sewers - Force	50	928	12,388			13,316
361 Collection Sewers - Gravity	50	12,863	11,345	265	(b)	24,474
363 Services to Customers	20	10,948	5,302	561	(b)	16,811
364 Flow Measuring Devices	20					
370 Receiving Wells	30	2,829				2,829
371 Pumping Equipment	5	171,223	194,428	75,105	(b)(c)	440,756
380 Treatment and Disposal Equipment	25	73,475	25,014	13,007	(b)	111,497
381 Plant Sewers	40	12,292	9,914	1,835	(b)	24,041
389 Other Plant and Miscellaneous Equipment	20	1,866	3,433			5,299
390 Office Furniture and Equipment	10	6,217	3,594			9,811
390.1 Computer & Software	5	297	824	925	(b)	2,047
391 Transportation Equipment	5	3,615	554			4,169
393 Tools, Shop and Garage Equipment	5	23,290	8,077	1,145	(b)	32,511
394 Laboratory Equipment	10	(9,094)		633	(b)	(8,461)
395 Power Operated Equipment	20	-	259			259
396 Communication Equipment	15	309	504	456	(b)	1,268
272 Amortization of CIAC		(77,770)	(58,271)			(136,041)
Total Depreciation Expense		\$ 357,932	\$ 290,804			\$ 735,146

(a) To remove amortization of intangible asset.

(b) To include depreciation expense on Construction Completed not Classified

(c) To adjust depreciation expense recorded on books during 2015 to correct total.

Description	Per Books		Adjustment	Ref	Adjusted Amount
	Woodmark	Tall Timbers			
Property, Plant & Equipment					
352 Franchises	\$ 431,640	\$ -	\$ (431,640)	(a)	\$ -
353 Land and Land Rights	25,000	164,003			189,003
354 Structures and Improvements	3,384,080	2,360,791	98,053	(b)	5,842,924
355 Power Generation Equipment	2,200	-			2,200
360 Collection Sewers - Force	46,402	619,378			665,780
361 Collection Sewers - Gravity	643,162	567,272	13,258	(b)	1,223,692
363 Services to Customers	218,960	111,909	11,229	(b)	342,098
364 Flow Measuring Devices	2,582	-			2,582
370 Receiving Wells	84,851	-			84,851
371 Pumping Equipment	1,047,618	1,122,876	408,100	(b)	2,578,593
380 Treatment and Disposal Equipment	1,836,113	625,338	325,184	(b)	2,786,635
381 Plant Sewers	490,008	198,286	73,405	(b)	761,699
389 Other Plant and Miscellaneous Equipment	37,315	83,485			120,800
390 Office Furniture and Equipment	91,225	49,607			140,833
390 1 Computer & Software	1,487	4,122	4,626	(b)	10,235
391 Transportation Equipment	82,240	32,229			114,469
393 Tools, Shop and Garage Equipment	118,327	42,540	5,723	(b)	166,590
394 Laboratory Equipment	9,459	-	6,332	(b)	15,791
395 Power Operated Equipment	-	7,770			7,770
396 Communication Equipment	4,632	7,554	6,839	(b)	19,025
Plant in Service	\$ 8,557,331	\$ 6,967,158			\$ 15,075,600
Accumulated Depreciation					
352 Franchises	\$ (107,466)	\$ -	\$ 107,466	(a)	\$ -
354 Structures and Improvements	(1,228,386)	(1,040,715)			(2,339,100)
355 Power Generation Equipment	19,815	2,804			22,619
360 Collection Sewers - Force	(1,008)	-			(1,008)
361 Collection Sewers - Gravity	(1,397)	(64,804)			(66,281)
363 Services to Customers	(158,850)	(96,361)			(255,211)
364 Flow Measuring Devices	647	8,934			9,582
370 Receiving Wells	(103,617)	(37,715)			(141,331)
371 Pumping Equipment	(2,582)	-			(2,582)
380 Treatment and Disposal Equipment	(4,450)	-			(4,450)
381 Plant Sewers	(570,395)	(478,512)			(1,048,907)
389 Other Plant and Miscellaneous Equipment	(287,235)	(37,091)			(324,326)
390 Office Furniture and Equipment	568	-			568
390 1 Computer & Software	(25,176)	(12,393)			(37,569)
391 Transportation Equipment	(22,365)	(30,319)			(53,275)
393 Tools, Shop and Garage Equipment	(53,455)	(23,563)			(77,018)
394 Laboratory Equipment	(489)	(962)			(1,451)
395 Power Operated Equipment	-	(358)			(358)
396 Communication Equipment	(69,586)	(30,219)			(99,805)
Accumulated Depreciation	(55,551)	(20,871)			(76,522)
393 Tools, Shop and Garage Equipment	38	-			38
394 Laboratory Equipment	(18,553)	-			(18,553)
395 Power Operated Equipment	-	(259)			(259)
396 Communication Equipment	(462)	(704)			(1,167)
Accumulated Depreciation	\$ (2,780,574)	\$ (1,883,289)			\$ (4,516,395)
Working Capital					
Cash Working Capital Allowance	\$ -	\$ -	165,321	(c)	\$ 165,321
162 Prepayments	1,877	2,051	(891)	(d)	2,937
Working Capital					\$ 168,258
Non-Investor Supplied Capital					
190 ADIT - Net Operating Loss Carry-Forwards			672,689	(e)	\$ 672,689
235 Customer Deposits	(16,259)	(12,952)			(29,212)
271 Contributions in Aid of Construction	(2,333,088)	(1,443,850)			(3,776,938)
272 Accumulated Amortization of Contributions in Aid of Construction	830,861	357,096			1,187,957
281 ADIT - Accelerated Depreciation of Property			(1,636,296)	(e)	(1,636,296)
282 ADIT - Other Property			(71,289)	(e)	(71,289)
283 ADIT - Other (Bad Debts)			2,005	(e)	2,005
Non-Investor Supplied Capital					\$ (3,851,086)
RATE BASE					\$ 7,076,378

- (a) To remove intangible asset and associated accumulated amortization
 (b) To include Completed Construction not Classified
 (c) O&M Expenses (Schedule 2)
 1/12th Factor
 Cash Working Capital Allowance
 (d) To adjust to 2015 13-month average balance
 (e) To reflect ADIT not recorded on books

Detail of Completed Construction not Classified.

354 Lift Station Replacement	47,113		
354 WWTP Replacement	16,453		
361 Manholes Replacement	1,376		
361 Collection Mains Replacement	6,190		
363 Sewer Service Replacements	2,370		
371 WM WWTP Improvements	210,815		
371 Lift Station Replacement	45,199		
371 WWTP Replacement	16,481		
380 WM WWTP Improvements	302,274		
380 WWTP Replacement	5,027		
381 WM WWTP Improvements	73,405		
393 Tools & Equipment Replacements	419		
393 Tools & Equipment New	2,955		
394 Lab Equipment Replacements	2,825		
396 Lift Station Replacement	6,839		
354 Lift Station Replacement		20,560	
354 WWTP Replacement		13,927	
361 Manholes Replacement		2,879	
361 Collection Mains Replacement		2,813	
363 Sewer Service Replacements		8,859	
371 Lift Station Replacement		91,046	
371 WWTP Replacement		4,551	
371 Lift Station Replacement		38,927	
380 WWTP Replacement		17,254	
390 Equipment & Computer Replacements		4,626	
393 Tools & Equipment Replacements		1,146	
393 Tools & Equipment New		1,203	
394 Lab Equipment Replacements		3,507	
	739,822	212,828	952.7

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)
RATE OF RETURN

Test Year Ended December 31, 2015

Schedule 6
Page 1 of 1

OVERALL RATE OF RETURN

Description	Per Books		Percent	Requested	
	Woodmark	Tall Timbers		Component Cost	Weighted Cost
Debt	\$ -	\$ -	30.00%	4.95% (a)	1.49%
Equity	2,210,756	2,559,492	70.00%	10.16% (b)	7.11%
Total	\$ 2,210,756	\$ 2,559,492	100.00%		

Overall Rate of Return

8.60%

(a) Average Cost of Debt:

	% of Total	Cost	Weighted Cost
Senior Unsecured Debt (AZ and TX)	50.00%	5.60%	2.80%
Liberty Utilities Company General Debt	50.00%	4.30%	2.15%
Cost of Debt			4.95%

(b) Moody's July 2016 Baa utility yield of 4.16% plus 6.00% risk premium.

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)

RETURN AND INCOME TAXES

Test Year Ended December 31, 2015

Schedule 7
Page 1 of 1

<u>Description</u>	<u>Reference</u>	<u>Amount</u>
<u>Return on Investment:</u>		
Rate Base	Schedule 5	\$ 7,076,376
Rate of Return	Schedule 6	8.60%
Return on Investment		\$ 608,356
<u>Interest Expense:</u>		
Rate Base	Schedule 5	\$ 7,076,376
Weighted Cost of Debt	Schedule 6	1.49%
Interest Expense		(105,084)
Return on Equity		\$ 503,272
Income Tax Factor	(1+ (35%/(1 - 35%)))	1.538462
Taxable Income		\$ 774,264
Federal Corporate Income Tax Rate		35.00%
Income Tax Expense		\$ 270,993

LIBERTY UTILITIES (WOODMARK/TALL TIMBERS SYSTEMS)
OTHER INCOME AND BILLING UNITS
Test Year Ended December 31, 2015

Schedule 8
Page 1 of 1

Description	Per Books		Adjustment	Ref.	Adjusted
	Woodmark	Tall Timbers			
Other Income					
536 Other WasteWater Revenues					
536 Other WasteWater Revenues	\$ (5,500)	\$ (19,225)		\$	(24,725)
536 Other WasteWater Revenues	(25,375)	(8,025)			(33,400)
536 Other WasteWater Revenues	(17,826)	(10,745)			(28,571)
536 Other WasteWater Revenues	-	28			28
Total Other Income	\$ (48,701)	\$ (37,967)		\$	(86,668)
2015 Billing Units (a)					
January	1,876	2,135			4,011
February	1,783	2,307			4,089
March	1,760	2,184			3,944
April	1,763	2,214			3,977
May	1,781	2,212			3,993
June	1,794	2,231			4,025
July	1,781	2,516			4,297
August	1,798	2,241			4,038
September	1,783	2,266			4,048
October	1,785	2,273			4,058
November	1,791	2,267			4,058
December	1,794	2,267			4,061
Total Base Equivalent Rates	21,488	27,112			48,600

(a) Calculated from monthly billing records.

Description	Reference	Description			Amounts
		TT -- WWTP	Relocation	WM -- WWTP	
Investment in Property, Plant, and Equipment					
354 Structures and Improvements		\$ 161,219		\$ 1,670,840	\$ 1,832,059
360 Collection Sewers - Force			\$ 885,776		885,776
371 Pumping Equipment		173,167		241,414	414,581
380 Treatment and Disposal Equipment				1,275,160	1,275,160
381 Plant Sewers		50,951		262,236	313,187
389 Other Plant and Miscellaneous Equipment		54,029			54,029
Second-step Investment		\$ 439,366	\$ 885,776	\$ 3,449,650	\$ 4,774,792
Operations and Maintenance Expenses					
Operating Expenses					
710 Purchased Water		\$ -	\$ -	(12,000)	\$ (12,000)
711 Sludge Removal Expense		-	-	5,800	5,800
715 Purchased Power		-	-	50,426	50,426
Second-step O&M Expenses					\$ 44,226
Bad Debts Expense					
Second-Step Cost of Service					\$ 955,981
Bad Debt Ratio	Schedule 2				0.921%
Second-step Bad Debts Expense					8,808
Taxes Other than Income					
Property Taxes					
Test Year Property Taxes	Schedule 3				\$ 163,327
Net Plant in Service	Schedule 5				\$ 9,606,454
Property Tax Rate					1.70%
Additional Investment					\$ 4,774,792
Second-step Property Taxes					81,180
Texas Franchise Taxes					
Second-Step Cost of Service					\$ 955,981
Applicable Margin Percentage	Schedule 3				70%
Taxable Margin					\$ 669,187
Texas Franchise Tax Rate	Schedule 3				0.75%
Second-step Texas Franchise Tax					5,019
Depreciation Expense:					
		Life	Cost	Depr. Expense	
354 Structures and Improvements	Schedule 4	30	\$ 1,832,059	\$ 61,069	
360 Collection Sewers - Force	Schedule 4	50	885,776	17,716	
371 Pumping Equipment	Schedule 4	5	414,581	82,916	
380 Treatment and Disposal Equipment	Schedule 4	25	1,275,160	51,006	
381 Plant Sewers	Schedule 4	40	313,187	7,830	
389 Other Plant and Miscellaneous Equipment	Schedule 4	20	54,029	2,701	
Second-step Depreciation Expense					223,238
Return on Investment					
Second-step Investment					\$ 4,774,792
Cash Working Capital Allowance					
Additional O&M and A&G Expenses			\$ 53,034		
1/12th Factor			8.33%		
Additional Cash Working Capital Allowance				4,419	
Additional Rate Base				\$ 4,779,212	
Rate of Return	Schedule 6			8.60%	
Second-step Return on Investment					410,489
Income Taxes:					
Additional Rate Base			\$ 4,779,212		
Weighted Cost of Equity	Schedule 6		7.11%		
Second-step Equity Return				\$ 339,898	
Income Tax Factor	Schedule 7			0.538462	
Second-step Income Taxes					183,022
Second-step Cost of Service					\$ 955,981
Billing Units	Schedule 8				48,600
SECOND-STEP BASE EQUIVALENT RATE INCREASE					
					\$ 19.67

INCOME STATEMENTS

For the Year Ended December 31, 2015

	Woodmark	Tall Timbers	Combined
Operating Revenues:			
Residential	1,366,757	1,046,622	2,413,379
Commercial	57,857	238,719	296,575
Other	48,701	37,967	86,668
Total	1,473,315	1,323,307	2,796,622
Operating Expenses:			
Salaries and Wages	328,819	300,759	629,578
Purchased Water	40,092	19,868	59,960
Sludge Removal	29,964	72,687	102,652
Purchased Power and Fuel	87,088	68,933	156,021
Chemicals	26,113	12,712	38,825
Materials and Supplies	29,921	23,187	53,107
Contractual Services	373,914	360,794	734,708
Building and Equipment Rental	22,987	10,141	33,128
Transportation	20,420	16,223	36,643
Insurance	9,637	4,224	13,861
Regulatory	6,670	-	6,670
Bad Debt	16,816	8,949	25,766
Miscellaneous	43,895	46,400	90,295
Depreciation and Amortization	377,746	301,850	679,596
Taxes Other than Income	106,344	65,983	172,327
Total	1,520,426	1,312,711	2,833,137
Operating Income (Loss)	(47,112)	10,597	(36,515)
Non-Operating Income and Expenses:			
Income	25,514	3,134	28,648
Expenses	1,021	767	1,788
Total	24,493	2,367	26,860
NET INCOME (LOSS)	(22,619)	12,964	(9,654)

BALANCE SHEETS

At December 31, 2015

	Woodmark	Tall Timbers	Combined
Assets:			
Cash	490	5,292	5,782
Accounts Receivable (net)	157,941	125,453	283,393
Prepayments	1,877	2,051	3,929
Deferred Debits	2,492	(0)	2,492
Plant in Service	8,557,331	5,997,159	14,554,490
Accumulated Depreciation	(2,760,574)	(1,863,289)	(4,623,863)
Construction Work in Progress (a)	1,211,445	605,297	1,816,742
Liabilities and Capital:			
Accounts Payable	(3,154,589)	(752,097)	(3,906,686)
Customer Deposits	(16,259)	(12,952)	(29,212)
Accrued Taxes	(97,344)	(77,256)	(174,600)
Miscellaneous Liabilities	(207,954)	(292,609)	(500,563)
Construction Advances	(12,500)	(17,500)	(30,000)
Contributions in Aid of Construction (net)	(1,502,227)	(1,147,094)	(2,649,321)
Deferred Income Taxes	8,008	-	8,008
Common Stock	(483,040)	(1,100)	(484,140)
Additional Paid in Capital	(92,457)	12,719	(79,738)
Retained Earnings	(1,612,641)	(2,584,075)	(4,196,716)
Total	7,171,003	4,871,964	12,042,967
	(7,171,003)	(4,871,964)	(12,042,967)

(a) Includes Completed Construction not Classified of \$739,822 for Woodmark and \$212,928 for Tall Timbers, or a total of \$952,750.

2015 TRIAL BALANCES

NARUC	Description	Woodmark	Tall Timbers	Combined	Sum/Check	Natural Account Title
Plant in Service						
101	Utility Plant in Service	-	-	-	14,554,490	Plant in Service - Sewer
351	Organization	-	-	-	-	Intangible Plant - Organization
352	Franchises	431,640	-	431,640	-	Int Plt Franchise & Consents
353	Land and Land Rights	25,000	164,003	189,003	-	Land
354	Structures and Improvements	3,384,080	2,360,791	5,744,871	-	Structures & Improvements
355	Power Generation Equipment	2,200	-	2,200	-	Power Generation
360	Collection Sewers - Force	46,402	619,378	665,780	-	Collection Sewer Forced
361	Collection Sewers - Gravity	643,162	567,272	1,210,434	-	Collection Sewers Gravity
362	Special Collecting Structures	-	-	-	-	Special Collecting Structures
363	Services to Customers	218,960	111,909	330,869	-	Services To Customers
364	Flow Measuring Devices	2,582	-	2,582	-	Flow Measuring Devices
365	Flow Measuring Installations	-	-	-	-	Flow Measuring Installations
366	Reuse Services	-	-	-	-	Reuse Services
367	Reuse Meters and Meter Installations	-	-	-	-	Reuse Meters And Installation
370	Receiving Wells	84,881	-	84,881	-	Receiving Wells
371	Pumping Equipment	1,047,618	1,122,876	2,170,493	-	Pumping Equipment
374	Reuse Distribution Reservoirs	-	-	-	-	Reuse Distribution Reservoirs
375	Reuse Transmission and Distribution System	-	-	-	-	Reuse Transmission And Distribution System
380	Treatment and Disposal Equipment	1,836,113	625,338	2,461,451	-	Treatment & Disposal Equipment
381	Plant Sewers	490,008	198,286	688,293	-	Plant Sewers
382	Outfall Sewer Lines	-	-	-	-	Outfall Sewer Lines
389	Other Plant and Miscellaneous Equipment	37,315	83,485	120,800	-	Other Sewer Plant & Equipment
390	Office Furniture and Equipment	91,225	49,607	140,833	-	Office Furniture & Equipment
390 1	Computer & Software	1,487	4,122	5,609	-	Office Furniture/Computers
391	Transportation Equipment	82,240	32,229	114,469	-	Transportation Equipment
392	Stores Equipment	-	-	-	-	Stores Equipment
393	Tools, Shop and Garage Equipment	118,327	42,540	160,867	-	Tools, Shop And Garage Equip
394	Laboratory Equipment	9,459	-	9,459	-	Laboratory Equip
395	Power Operated Equipment	-	7,770	7,770	-	Power Operated Equipment
396	Communication Equipment	4,632	7,554	12,186	-	Communication Equip
397	Miscellaneous Equipment	-	-	-	-	Plant & Misc Equipment
398	Other Tangible Plant	-	-	-	-	Other Tangible Plant
Accumulated Depreciation						
108	Accumulated Depreciation	-	-	-	(4,623,863)	Accum Ammortization Sewer
108	Accumulated Depreciation	-	-	-	-	Accum Ammortization Retirement Sewer
351	Organization	-	-	-	-	Accum Deprec Organization
351	Organization	-	-	-	-	Accum Deprec Retirement Organization
352	Franchises	(107,466)	-	(107,466)	-	Int Plt Franchise & Consents
354	Structures and Improvements	(1,298,386)	(1,040,715)	(2,339,100)	-	Accum Deprec Structures and Improvements
354	Structures and Improvements	19,815	2,804	22,619	-	Accum Deprec Retirement Structures and Improvement
355	Power Generation Equipment	(1,008)	-	(1,008)	-	Accum Deprec Power Generation Equip
355	Power Generation Equipment	-	-	-	-	Accum Deprec Retirement Power Generation Equip
360	Collection Sewers - Force	(1,397)	(64,884)	(66,281)	-	Accum Deprec Collection Sewers Force
360	Collection Sewers - Force	-	-	-	-	Accum Deprec Retirement Collection Sewers Force -
361	Collection Sewers - Gravity	(158,850)	(96,361)	(255,211)	-	Accum Deprec Collection Sewers Gravity
361	Collection Sewers - Gravity	647	8,934	9,582	-	Accum Deprec Retirement Collection Sewers Gravity
362	Special Collecting Structures	-	-	-	-	Accum Deprec Special Collecting Structures
362	Special Collecting Structures	-	-	-	-	Accum Deprec Retirement Special Collecting Struct
363	Services to Customers	(103,617)	(37,715)	(141,331)	-	Accum Deprec Services
363	Services to Customers	-	-	-	-	Accum Deprec Retirement Services
364	Flow Measuring Devices	(2,582)	-	(2,582)	-	Accum Deprec Flow Measuring Devices
364	Flow Measuring Devices	-	-	-	-	Accum Deprec Retirement Flow Measuring Devices
365	Flow Measuring Installations	-	-	-	-	Accum Deprec Flow Measuring Installations
365	Flow Measuring Installations	-	-	-	-	Accum Deprec Retirement Flow Measuring Installatio
366	Reuse Services	-	-	-	-	Accum Deprec Reuse Services
366	Reuse Services	-	-	-	-	Accum Deprec Retirement Reuse Services
367	Reuse Meters and Meter Installations	-	-	-	-	Accum Deprec Reuse Meters and Meter Instal
367	Reuse Meters and Meter Installations	-	-	-	-	Accum Deprec Retirement Reuse Meters and Meter Ins
370	Receiving Wells	(4,480)	-	(4,480)	-	Accum Deprec Receiving Wells
370	Receiving Wells	-	-	-	-	Accum Deprec Retirement Receiving Wells
371	Pumping Equipment	(570,395)	(478,512)	(1,048,907)	-	Accum Deprec Pumping Equipment
371	Pumping Equipment	-	-	-	-	Accum Deprec Retirement Pumping Equipment
374	Reuse Distribution Reservoirs	-	-	-	-	Accum Deprecation Reuse Distribution Reservoirs
374	Reuse Distribution Reservoirs	-	-	-	-	Accum Deprec Retirement Reuse Distribution R
375	Reuse Transmission and Distribution System	-	-	-	-	Accum Depre - Resue Transmission & Distribution
375	Reuse Transmission and Distribution System	-	-	-	-	Accum Depre Retirement Resue Transmission & Distr
380	Treatment and Disposal Equipment	(287,235)	(37,091)	(324,326)	-	Accum Deprec Treatment and Disposal Equip
380	Treatment and Disposal Equipment	568	-	568	-	Accum Deprec Retirement Treatment and Disposal Equ
381	Plant Sewers	(25,176)	(12,393)	(37,569)	-	Accum Deprec Plant Sewers
381	Plant Sewers	-	-	-	-	Accum Deprec Retirement Plant Sewers
382	Outfall Sewer Lines	-	-	-	-	Accum Deprec Outfall Sewer Lines
382	Outfall Sewer Lines	-	-	-	-	Accum Deprec Retirement Outfall Sewer Lines
389	Other Plant and Miscellaneous Equipment	(22,955)	(30,319)	(53,275)	-	Accum Deprec Other Plant Equip-
389	Other Plant and Miscellaneous Equipment	-	-	-	-	Accum Deprec Retirement Other Plant and Misc Equip
390	Office Furniture and Equipment	(53,455)	(23,563)	(77,018)	-	Accum Deprec Office Furniture and Equip
390	Office Furniture and Equipment	-	-	-	-	Accum Deprec Retirement Office Furniture and Equip
390	Office Furniture and Equipment	(489)	(962)	(1,451)	-	Accum Depm Office F/F - Computers
390	Office Furniture and Equipment	-	(358)	(358)	-	Accum Depm Retirement Office F/F - Computers
391	Transportation Equipment	(69,586)	(30,219)	(99,805)	-	Accum Deprec Transportation Equip
391	Transportation Equipment	-	-	-	-	Accum Deprec Retirement Transportation Equip
392	Stores Equipment	-	-	-	-	Accum Deprec Stores Equip
392	Stores Equipment	-	-	-	-	Accum Deprec Retirement Stores Equip
393	Tools, Shop and Garage Equipment	(55,551)	(20,971)	(76,522)	-	Accum Deprec Tools,Shop and Garage Equip
393	Tools, Shop and Garage Equipment	38	-	38	-	Accum Deprec Retirement Tools,Shop and Garage Equi
394	Laboratory Equipment	(18,553)	-	(18,553)	-	Accum Deprec Laboratory Equip
394	Laboratory Equipment	-	-	-	-	Accum Deprec Retirement Laboratory Equip-
395	Power Operated Equipment	-	(259)	(259)	-	Accum Dep Pwr Operated Equipment
395	Power Operated Equipment	-	-	-	-	Accum Dep Retirement Pwr Operated Equipment
396	Communication Equipment	(462)	(704)	(1,167)	-	Accum Deprec Communication Equip-
396	Communication Equipment	-	-	-	-	Accum Deprec Retirement Communication Equip-
397	Miscellaneous Equipment	-	-	-	-	Accum Deprec Other Plant and Misc Equip-
397	Miscellaneous Equipment	-	-	-	-	Accum Deprec Retirement Other Plant and Misc Equip

2015 TRIAL BALANCES

NARUC	Description	Woodmark	Tall Timbers	Combined	Sum/Check	Natural Account Title
398	Other Tangible Plant	-	-	-	-	Accum Deprec Other Tangible Plant
398	Other Tangible Plant	-	-	-	-	Accum Deprec Retirement Other Tangible Plant
Current Assets						
103	Property Held for Future Use	-	-	-	-	Plant Held for Future Use
105	Construction Work in Progress	990,230	346,698	1,336,928	-	Fixed Asset Cleaning
105	Construction Work in Progress	220,215	258,599	478,814	-	Fixed Asset Accrual
114	Utility Plant Acquisition	1,000	-	1,000	-	Goodwill - Woodmark
131 1	Cash on Hand	190	4,242	4,432	-	Cash In Bank
131 2	Cash in Bank	-	-	-	-	Cash In Hand (Petty Cash)
131 2	Cash in Bank	300	1,050	1,350	-	Petty Cash
132	Special Deposits	-	-	-	-	Restricted Cash - Loan Payment
132	Special Deposits	-	-	-	-	Restricted Cash - Bond Resv
132	Special Deposits	-	-	-	-	Restricted Cash - HUF Account Sewer
132	Special Deposits	-	-	-	-	Deposits
141	Customer Accounts Receivable	39,400	21,034	60,434	-	Accounts Receivable
142	Other Accounts Receivable	-	575	575	-	Other Receivables
143	Accumulated Provision for Uncollectible Accounts	(1,494)	(3,685)	(5,179)	-	Allowance for Doubtful Accounts
145	Accounts Receivable from Associated Companies	-	-	-	-	Accounts Receivable Intercompany
162	Prepayments	-	-	-	-	Prepaid Expenses
162	Prepayments	1,877	2,051	3,929	-	Prepaid Licences Fees & Permits
162	Prepayments	-	-	-	-	Prepaid Insurance
173	Accrued Utility Revenues	120,035	107,528	227,563	-	Accrued Receivables
173	Accrued Utility Revenues	-	-	-	-	Accrued Receivables LIT
184	Cleaning Accounts	-	-	-	-	Misc Billing Cleaning
186	Miscellaneous Deferred Debits	-	-	-	-	Current Regulatory Assets
186	Miscellaneous Deferred Debits	-	-	-	-	Regulatory Assets - FAS 109
186	Miscellaneous Deferred Debits	(411)	(0)	(411)	-	Deferred Rate Case Costs
186	Miscellaneous Deferred Debits	2,903	-	2,903	-	Deferred Rate Case Costs in Progress
186	Miscellaneous Deferred Debits	-	-	-	-	Deferred Lagoon Cleaning
186	Miscellaneous Deferred Debits	-	-	-	-	Deferred AFUDC Equity Gross Up
Current Liabilities						
231	Accounts Payable	-	(7)	(7)	-	Accounts Payable
233	Accounts Payable to Associated Companies	-	-	-	-	Accounts Payable - Intercompany
233	Accounts Payable to Associated Companies	1,109,373	1,415,929	2,525,303	-	Due to AWRA
233	Accounts Payable to Associated Companies	(4,263,962)	(2,168,019)	(6,431,982)	-	Due to Liberty Water Co
235	Customer Deposits	-	-	-	-	Customer Deposit
235	Customer Deposits	(16,259)	(12,952)	(29,212)	-	Long Term Meter Deposit
236	Accrued Taxes	(97,344)	(66,046)	(163,390)	-	Property Tax Payable
236	Accrued Taxes	-	(11,210)	(11,210)	-	Deferred Income Tax
237	Accrued Interest	(1,515)	(1,537)	(3,052)	-	Accrued Customer Interest
241	Miscellaneous Current and Accrued Liabilities	(177,468)	(274,298)	(451,767)	-	Accrued Liabilities
241	Miscellaneous Current and Accrued Liabilities	(21,875)	3,847	(18,028)	-	Accrued Capital Retainage
241	Miscellaneous Current and Accrued Liabilities	12,821	(1,991)	10,830	-	Accrued Purchases
241	Miscellaneous Current and Accrued Liabilities	(12,889)	(11,587)	(24,476)	-	Accrued Corp. Commission Assessments
242	Miscellaneous Current and Accrued Liabilities	(7,028)	(7,043)	(14,071)	-	Unapplied Payments
252	Advances for Construction	(12,500)	(17,500)	(30,000)	-	Developers Initial Admin Deposit
283	Accum Deferred Income Tax	8,008	-	8,008	-	
Non-Investor Supplied Capital						
271	Contributions in Aid of Construction	(2,333,088)	(1,443,850)	(3,776,938)	-	Contribution in aid of Construction - CIAC
271	Contributions in Aid of Construction	-	(60,340)	(60,340)	-	CIAC In Process - Sewer
272	Accumulated Amortization of Contributions in Aid	830,861	357,096	1,187,957	-	Accumulated depreciation - CIAC Sewer
Capital						
201	Common Stock Issued	(483,040)	(1,100)	(484,140)	-	Common Shares - Tall Timbers
211	Other Paid-In Capital	(499,946)	(510,308)	(1,010,254)	-	Paid In Capital
211	Other Paid-In Capital	-	(250)	(250)	-	Capital Contribution - Taylor Street
211	Other Paid-In Capital	-	164,353	164,353	-	Treasury Stock - Tall Timbers
211	Other Paid-In Capital	407,489	358,924	766,413	-	Dividends Paid
214	Appropriated Retained Earnings	-	-	-	-	Retained Earnings - Dividends/Distributions
216	Reacquired Capital Stock	(1,635,259)	(2,571,111)	(4,206,370)	-	Retained Earnings
Operating Revenues						
521 1	Residential Revenues	(1,251,485)	(957,555)	(2,209,040)	-	Unmetered Residential Revenues
521 2	Commercial Revenues	(53,094)	(220,258)	(273,351)	-	Unmetered Commercial Revenues
521 3	Industrial Revenues	-	-	-	-	Unmetered Industrial Revenues
522 1	Residential Revenues	(115,272)	(89,067)	(204,339)	-	Residential Revenues (Usage)
522 2	Commercial Revenues	(4,763)	(18,461)	(23,224)	-	Meter Commercial Revenues (Usage)
522 3	Industrial Revenues	-	-	-	-	Commercial Effluent Revenues
536	Other WasteWater Revenues	-	-	-	-	Connection Fees
536	Other WasteWater Revenues	(5,500)	(19,225)	(24,725)	-	Establishment Fees
536	Other WasteWater Revenues	(25,375)	(8,025)	(33,400)	-	Service Charges
536	Other WasteWater Revenues	-	-	-	-	Returned Check Charge
536	Other WasteWater Revenues	(17,826)	(10,745)	(28,571)	-	Late Payment Fee
536	Other WasteWater Revenues	-	28	28	-	Misc Income
544	Reuse Revenues from Other Systems	-	-	-	-	Effluent Credits
Operating Expenses						
701	Salaries and Wages - Employees	-	-	-	629,578	Labour - Engineering
701	Salaries and Wages - Employees	328,819	300,759	629,578	-	Labour-Ops-Collect
710	Purchased Water	40,092	19,868	59,960	59,960	Purchased Water-Ops-Collect
711	Sludge Removal Expense	26,464	72,687	99,152	102,652	Sludge Removal Expense-Ops-Treat&Disp
711	Sludge Removal Expense	3,500	-	3,500	-	Sludge Removal Exp-Maint-Treat&Disp
715	Purchased Power	53,807	66,890	120,697	156,021	Purchased Power-Ops-Collect
715	Purchased Power	-	-	-	-	Purchased Power-Ops-Pump

2015 TRIAL BALANCES

NARUC	Description	Woodmark	Tall Timbers	Combined	Sum/Check	Natural Account Title
715	Purchased Power	33,106	1,961	35,067		Purchased Power-Ops-Treat&Disp
715	Purchased Power	-	-	-		Purchased Power-Ops-RWT
715	Purchased Power	-	-	-		Purchased Power-Ops-RWT
715	Purchased Power	-	-	-		Purchased Power-Ops-RWD
715	Purchased Power	-	-	-		Purchased Power
716	Fuel for Power Production	174	82	256		Fuel For Power Prod-Ops-Collect
716	Fuel for Power Production	-	-	-		Fuel For Power Prod-Ops-Pump
716	Fuel for Power Production	-	-	-		Fuel For Power Prod-Ops-Treat&Disp
716	Fuel for Power Production	-	-	-		Fuel For Power Prod-Ops-RWT
716	Fuel for Power Production	-	-	-		Fuel For Power Prod-Ops-RWD
718	Chemicals	-	-	-	38,825	Chemicals-Ops-Collect
718	Chemicals	-	-	-		Chemicals-Ops-Pump
718	Chemicals	25,693	12,202	37,895		Chemicals-Ops-Treat&Disp
718	Chemicals	-	-	-		Chemicals-Ops-RWT
718	Chemicals	-	-	-		Chemicals-Ops-RWD
718	Chemicals	-	-	-		Chemicals-Maint-Collect
718	Chemicals	395	395	790		Chemicals-Maint-Pump
718	Chemicals	26	114	140		Chemicals-Maint-Treat&Disp
718	Chemicals	-	-	-		Chemicals-Maint-RWT
718	Chemicals	-	-	-		Chemicals-Maint-RWD
720	Materials and Supplies	5,384	4,573	9,957	53,107	Material & Supp-Ops-Collect
720	Materials and Supplies	560	275	835		Material & Supp-Ops-Pump
720	Materials and Supplies	9,643	5,497	15,140		Material & Supp-Ops-Treat&Disp
720	Materials and Supplies	-	232	232		Material & Supp-Ops-RWT
720	Materials and Supplies	16	-	16		Materials & Supp-Ops-RWD
720	Materials and Supplies	1,923	1,045	2,968		Materials & Supp-Maint-Collect
720	Materials and Supplies	2,426	310	2,736		Materials and Supplies-Maint-Pump
720	Materials and Supplies	5,221	2,959	8,180		Materials & Supp-Maint-Treat&Disp
720	Materials and Supplies	(603)	-	(603)		Materials & Supp-Maint-RWT
720	Materials and Supplies	-	36	36		Materials & Supp-Maint-RWD
720	Materials and Supplies	5,351	8,260	13,611		Materials and Supplies
731	Contractual Services - Engineering	-	-	-	734,708	Contract Serv-Eng-Ops-Collect
731	Contractual Services - Engineering	-	-	-		Contractual Services-Engineering
732	Contractual Services - Accounting	348	4,512	4,859		Contractual Services-Accounting
733	Contractual Services - Legal	(4,027)	(293)	(4,319)		Contractual Services-Legal
734	Contractual Services - Management Fees	-	-	-		LABS Corp - Labour
734	Contractual Services - Management Fees	-	-	-		LABS Corp - Admin
734	Contractual Services - Management Fees	1,996	2,430	4,426		LABS Labor Allocations
734	Contractual Services - Management Fees	585	732	1,317		LABS Corporate Service labour allocation
734	Contractual Services - Management Fees	3,222	4,035	7,257		LABS Corp - Labour
734	Contractual Services - Management Fees	-	-	-		LABS Corporate Service - Admin
734	Contractual Services - Management Fees	9,868	10,720	20,588		LABS NonLabor Allocations
734	Contractual Services - Management Fees	34,906	43,682	78,588		LU US Allocation - Labour
734	Contractual Services - Management Fees	24,024	26,100	50,124		LU US Allocation - Admin
734	Contractual Services - Management Fees	688	862	1,550		Admin Allocation-AWS
734	Contractual Services - Management Fees	39,304	49,229	88,533		LU US Customer Care - Labour
734	Contractual Services - Management Fees	6,463	7,023	13,486		LU US Customer Care - Admin
734	Contractual Services - Management Fees	3,845	4,816	8,661		LU Canada Allocation - Labour
734	Contractual Services - Management Fees	9,562	10,387	19,949		LU Canada Allocation - Admin
734	Contractual Services - Management Fees	3,262	4,085	7,347		APUC Allocation - Labour
734	Contractual Services - Management Fees	6,747	7,331	14,078		APUC Allocation - Admin
734	Contractual Services - Management Fees	-	-	-		LABS Corporate Service - Labour
734	Contractual Services - Management Fees	1,220	1,324	2,544		LABS Corp - Admin
735	Contractual Services - Testing	400	-	400		Contract Serv-Test-Ops-Collect
735	Contractual Services - Testing	11,186	7,590	18,775		Contract Serv-Test-Ops-Treat&Disp
735	Contractual Services - Testing	-	-	-		Contract Serv-Testing-Maint-Collect
735	Contractual Services - Testing	-	-	-		Contractual Services-Testing
736	Contractual Services - Other	109,708	102,613	212,322		Contract Serv-Other-Ops-Collect
736	Contractual Services - Other	444	669	1,113		Contract Serv-Outside Oper-Ops-Collect
736	Contractual Services - Other	7,980	22,298	30,278		Contractual Services-Other
736	Contractual Services - Other	-	625	625		Contract Serv-Other-Ops-Pump
736	Contractual Services - Other	8,006	18,474	26,480		Contract Serv-Other-Ops-Treat&Disp
736	Contractual Services - Other	-	-	-		Contract Serv-Other-Ops-RWT
736	Contractual Services - Other	-	-	-		Contract Serv-Other-Ops-RWD
736	Contractual Services - Other	3,057	2,532	5,589		Contract Serv-Other-Maint-Collect
736	Contractual Services - Other	-	-	-		Contract Serv-Other-Maint-Pump
736	Contractual Services - Other	2,807	2,154	4,961		Contract Serv-Other-Maint-Treat&Disp
736	Contractual Services - Other	-	-	-		Contractual Services-Other-Maint-RWT
736	Contractual Services - Other	(630)	-	(630)		Contractual Services-Other-Maint-RWD
736	Contractual Services - Other	88,943	26,864	115,808		Contractual Services-Other
741	Rental of Building/Real Property	3,798	4,089	7,887		Rental of Building/Real Property
742	Rental of Equipment	7,486	79	7,565	25,241	Rental of Equipment-Ops-Collect
742	Rental of Equipment	-	-	-		Rental of Equipment-Ops-Pump
742	Rental of Equipment	11,258	2,333	13,591		Rental of Equip-Ops-Treat&Disp
742	Rental of Equipment	-	-	-		Rental of Equip-Ops-RWT
742	Rental of Equipment	-	-	-		Rental of Equipment-Ops-RWD
742	Rental of Equipment	-	-	-		Rental of Equip-Maint-Collect
742	Rental of Equipment	-	-	-		Rental of Equip-Maint-Pump
742	Rental of Equipment	-	473	473		Rental of Equipment
742	Rental of Equipment	-	-	-		Rental of Equipment
742	Rental of Equipment	-	-	-		Rental of Equipment
742	Rental of Equipment	444	3,169	3,613		Rental of Equipment
750	Transportation Expenses	15,844	11,938	27,782		Transportation Expenses-Ops-Collect
750	Transportation Expenses	4,576	4,285	8,861		Transportation Expenses
756	Insurance - Vehicle	2,364	1,918	4,282		Insurance-Vehicle
757	Insurance - General Liability	7,273	2,306	9,579		Insurance-General Liability
766	Regulatory Commission Expenses	6,670	-	6,670		Regulatory Commission Expenses-Amortization of Rate Case
767	Regulatory Commission Expenses - Other	-	-	-		Regulatory Commission Expense
767	Regulatory Commission Expenses - Other	-	-	-		Regulatory Commission Expense- Other
770	Bad Debt Expense	16,816	8,949	25,766		Bad Debt Expense
775	Miscellaneous Expenses	2,017	2,008	4,024		Meals and Entertainment
775	Miscellaneous Expenses	2,908	3,496	6,403		Licences and Fees
775	Miscellaneous Expenses	1,162	540	1,702		Public Relations
775	Miscellaneous Expenses	13,955	15,532	29,487		Telephone Expense
775	Miscellaneous Expenses	23,855	24,824	48,679		Bank Charges

Depreciation and Amortization Expense

2015 TRIAL BALANCES

NARUC	Description	Woodmark	Tall Timbers	Combined	Sum/Check	Natural Account Title
272	Amortization of CIAC	(77,770)	(58,271)	(136,041)		Amortization of CIAC
403	Depreciation Expenses	435,701	349,077	784,778		Depreciation Expense
403	Depreciation Expenses	-	-	-		Amortization of Vehicles
403	Depreciation Expenses	-	-	-		Amortization of Equipment
403	Depreciation Expenses	10,791		10,791		Amortization of Customer Relationships
407	Amortization Expense	411	1,688	2,099		Amortization of Regulatory Assets
407	Amortization Expense	8,613	9,357	17,969		LU Amort of Other Utility Plant
Taxes Other than Income						
408	Taxes Other than Income	97,344	65,983	163,327		Property Taxes
408	Taxes Other than Income	-	-	-		Utility Regulatory Assessment Fees
Income taxes						
409	Income Taxes	-		-		Federal Income Tax Expense
409	Income Taxes	9,000		9,000		State Income Tax Expense
Non-Operating Income and Expenses						
414	Gains (Losses) from Disposition of Utility Property	-	-	-		Gain/Loss Fixed Asset Disposal
419	Interest and Dividend Income	-	-	-		Interest income
419	Interest and Dividend Income	-	-	-		Interest on LT Receivable
420	Allowance for Funds Used During Construction	(25,514)	(3,134)	(28,648)		AFUDC - Equity Income
420	Allowance for Funds Used During Construction	-	-	-		AFUDC - Borrowed
427	Interest Expense	1,021	767	1,788		Interest Expense on short Term Debt
427	Interest Expense	-	-	-		Interest on Long Term Debt
427	Interest Expense	-	-	-		Interest Expense Intercompany
428	Amortization of Debt Discount and Expense	-	-	-		Amortization of Debt Discount
Total		(0)	0	(0)		

2014 TRIAL BALANCES

NARUC	Description	Woodmark	Tall Timbers	Combined
Plant in Service				
101	Utility Plant in Service	37,315	63,232	100,547
351	Organization	-	7,299	7,299
352	Franchises	431,640	-	431,640
353	Land and Land Rights	25,000	164,003	189,003
354	Structures and Improvements	2,947,055	1,423,037	4,370,092
355	Power Generation Equipment	2,200	594,253	596,453
360	Collection Sewers - Force	9,678	527,846	537,524
361	Collection Sewers - Gravity	632,102	35,005	667,107
362	Special Collecting Structures	-	111,909	111,909
363	Services to Customers	218,960	-	218,960
364	Flow Measuring Devices	2,582	-	2,582
365	Flow Measuring Installations	-	-	-
366	Reuse Services	-	-	-
367	Reuse Meters and Meter Installations	-	-	-
370	Receiving Wells	84,881	-	84,881
371	Pumping Equipment	865,590	587,251	1,452,841
374	Reuse Distribution Reservoirs	-	-	-
375	Reuse Transmission and Distribution System	-	-	-
380	Treatment and Disposal Equipment	1,805,462	72,927	1,878,388
381	Plant Sewers	329,824	-	329,824
382	Outfall Sewer Lines	-	-	-
389	Other Plant and Miscellaneous Equipment	118,327	-	118,327
390	Office Furniture and Equipment	91,225	49,607	140,833
390.1	Computer & Software	1,487	4,122	5,609
391	Transportation Equipment	75,104	-	75,104
392	Stores Equipment	-	-	-
393	Tools, Shop and Garage Equipment	-	39,304	39,304
394	Laboratory Equipment	10,300	-	10,300
395	Power Operated Equipment	-	-	-
396	Communication Equipment	3,858	-	3,858
397	Miscellaneous Equipment	-	-	-
398	Other Tangible Plant	-	-	-
Accumulated Depreciation				
108	Accumulated Depreciation	(4,688)	(39,275)	(43,963)
108	Accumulated Depreciation	-	-	-
351	Organization	-	-	-
351	Organization	-	-	-
352	Franchises	(96,675)	-	(96,675)
354	Structures and Improvements	(1,198,220)	(962,574)	(2,160,793)
354	Structures and Improvements	10,699	2,696	13,395
355	Power Generation Equipment	(898)	-	(898)
355	Power Generation Equipment	-	-	-
360	Collection Sewers - Force	(469)	(52,496)	(52,965)
360	Collection Sewers - Force	-	-	-
361	Collection Sewers - Gravity	(146,796)	(85,275)	(232,071)
361	Collection Sewers - Gravity	-	8,858	8,858
362	Special Collecting Structures	-	-	-
362	Special Collecting Structures	-	-	-
363	Services to Customers	(92,669)	(32,413)	(125,081)
363	Services to Customers	-	-	-
364	Flow Measuring Devices	(2,582)	-	(2,582)
364	Flow Measuring Devices	-	-	-
365	Flow Measuring Installations	-	-	-
365	Flow Measuring Installations	-	-	-
366	Reuse Services	-	-	-
366	Reuse Services	-	-	-
367	Reuse Meters and Meter Installations	-	-	-
367	Reuse Meters and Meter Installations	-	-	-
370	Receiving Wells	(1,650)	-	(1,650)
370	Receiving Wells	-	-	-

2014 TRIAL BALANCES

NARUC	Description	Woodmark	Tall Timbers	Combined
371	Pumping Equipment	(423,054)	(288,855)	(711,909)
371	Pumping Equipment	-	-	-
374	Reuse Distribution Reservoirs	-	-	-
374	Reuse Distribution Reservoirs	-	-	-
375	Reuse Transmission and Distribution System	-	-	-
375	Reuse Transmission and Distribution System	-	-	-
380	Treatment and Disposal Equipment	(214,736)	(6,548)	(221,284)
380	Treatment and Disposal Equipment	-	-	-
381	Plant Sewers	(12,259)	-	(12,259)
381	Plant Sewers	-	-	-
382	Outfall Sewer Lines	-	-	-
382	Outfall Sewer Lines	-	-	-
389	Other Plant and Miscellaneous Equipment	(21,089)	(26,886)	(47,976)
389	Other Plant and Miscellaneous Equipment	-	-	-
390	Office Furniture and Equipment	(47,238)	(19,969)	(67,207)
390	Office Furniture and Equipment	-	-	-
390	Office Furniture and Equipment	(192)	(137)	(329)
390	Office Furniture and Equipment	-	(358)	(358)
391	Transportation Equipment	(65,971)	(29,488)	(95,460)
391	Transportation Equipment	-	-	-
392	Stores Equipment	-	-	-
392	Stores Equipment	-	-	-
393	Tools, Shop and Garage Equipment	(32,260)	(12,895)	(45,155)
393	Tools, Shop and Garage Equipment	38	-	38
394	Laboratory Equipment	(10,300)	-	(10,300)
394	Laboratory Equipment	-	-	-
395	Power Operated Equipment	-	-	-
395	Power Operated Equipment	-	-	-
396	Communication Equipment	(154)	(201)	(355)
396	Communication Equipment	-	-	-
397	Miscellaneous Equipment	-	-	-
397	Miscellaneous Equipment	-	-	-
398	Other Tangible Plant	-	-	-
398	Other Tangible Plant	-	-	-

Current Assets

103	Property Held for Future Use	-	-	-
105	Construction Work in Progress	718,651	2,435,805	3,154,457
105	Construction Work in Progress	104,563	69,472	174,035
114	Utility Plant Acquisition	1,000	-	1,000
131.1	Cash on Hand	14,890	3,037	17,928
131.2	Cash in Bank	-	-	-
131.2	Cash in Bank	300	1,050	1,350
132	Special Deposits	-	-	-
132	Special Deposits	-	-	-
132	Special Deposits	-	-	-
132	Special Deposits	-	-	-
141	Customer Accounts Receivable	64,155	43,564	107,719
142	Other Accounts Receivable	-	-	-
143	Accumulated Provision for Uncollectible Accounts	(12,987)	(11,213)	(24,200)
145	Accounts Receivable from Associated Companies	-	-	-
162	Prepayments	-	-	-
162	Prepayments	1,786	2,210	3,996
162	Prepayments	-	-	-
173	Accrued Utility Revenues	123,706	104,166	227,873
173	Accrued Utility Revenues	-	-	-
184	Clearing Accounts	-	-	-
186	Miscellaneous Deferred Debits	-	-	-
186	Miscellaneous Deferred Debits	-	-	-
186	Miscellaneous Deferred Debits	-	(950)	(950)
186	Miscellaneous Deferred Debits	-	2,638	2,638
186	Miscellaneous Deferred Debits	9,573	-	9,573
186	Miscellaneous Deferred Debits	-	-	-

2014 TRIAL BALANCES

NARUC	Description	Woodmark	Tall Timbers	Combined
Current Liabilities				
231	Accounts Payable	-	-	-
233	Accounts Payable to Associated Companies	-	-	-
233	Accounts Payable to Associated Companies	1,109,373	1,415,929	2,525,303
233	Accounts Payable to Associated Companies	(3,486,487)	(2,295,318)	(5,781,805)
235	Customer Deposits	(17,326)	(12,213)	(29,538)
235	Customer Deposits	-	-	-
236	Accrued Taxes	-	-	-
236	Accrued Taxes	8,008	(11,210)	(3,202)
237	Accrued Interest	(1,756)	(1,591)	(3,347)
241	Miscellaneous Current and Accrued Liabilities	(117,117)	(95,024)	(212,141)
241	Miscellaneous Current and Accrued Liabilities	(27,298)	3,847	(23,450)
241	Miscellaneous Current and Accrued Liabilities	(519)	2,532	2,014
241	Miscellaneous Current and Accrued Liabilities	(13,006)	(11,271)	(24,277)
242	Miscellaneous Current and Accrued Liabilities	(12,688)	(7,083)	(19,771)
252	Advances for Construction	(7,500)	(7,500)	(15,000)
283	Accum Deferred Income Tax	-	-	-
Non-Investor Supplied Capital				
271	Contributions in Aid of Construction	(2,333,088)	(1,443,850)	(3,776,938)
271	Contributions in Aid of Construction	-	(60,340)	(60,340)
272	Accumulated Amortization of Contributions in Aid	753,092	298,825	1,051,916
Capital				
201	Common Stock Issued	(483,040)	(1,100)	(484,140)
211	Other Paid-In Capital	(499,946)	(510,308)	(1,010,254)
211	Other Paid-In Capital	-	(250)	(250)
211	Other Paid-In Capital	-	164,353	164,353
211	Other Paid-In Capital	407,489	358,924	766,413
214	Appropriated Retained Earnings	-	-	-
216	Reacquired Capital Stock	(1,608,494)	(2,449,181)	(4,057,676)
Operating Revenues				
521.1	Residential Revenues	(1,352,082)	(1,015,627)	(2,367,709)
521.2	Commercial Revenues	(57,315)	(210,861)	(268,177)
521.3	Industrial Revenues	-	-	-
522.1	Residential Revenues	-	-	-
522.2	Commercial Revenues	-	-	-
522.3	Industrial Revenues	-	-	-
536	Other WasteWater Revenues	-	-	-
536	Other WasteWater Revenues	(3,300)	(10,825)	(14,125)
536	Other WasteWater Revenues	(19,350)	(6,675)	(26,025)
536	Other WasteWater Revenues	-	-	-
536	Other WasteWater Revenues	(14,845)	(8,813)	(23,658)
536	Other WasteWater Revenues	-	-	-
544	Reuse Revenues from Other Systems	-	-	-
Operating Expenses				
701	Salaries and Wages - Employees	-	-	-
701	Salaries and Wages - Employees	32,516	25,797	58,313
710	Purchased WasteWater Treatment	22,814	15,658	38,472
711	Sludge Removal Expense	141,668	144,492	286,160
711	Sludge Removal Expense	-	-	-
715	Purchased Power	44,817	47,491	92,309
715	Purchased Power	-	-	-
715	Purchased Power	42,455	35,305	77,760
715	Purchased Power	-	-	-

2014 TRIAL BALANCES

NARUC	Description	Woodmark	Tall Timbers	Combined	
715	Purchased Power	-	-	-	
715	Purchased Power	-	-	-	
715	Purchased Power	-	-	-	
716	Fuel for Power Production	-	-	-	
716	Fuel for Power Production	-	-	-	
716	Fuel for Power Production	-	-	-	
716	Fuel for Power Production	-	-	-	
716	Fuel for Power Production	-	-	-	
718	Chemicals	-	-	-	
718	Chemicals	48	-	48	
718	Chemicals	26,290	10,846	37,136	
718	Chemicals	-	-	-	
718	Chemicals	-	-	-	
718	Chemicals	-	-	-	
718	Chemicals	-	-	-	
718	Chemicals	-	-	-	
718	Chemicals	-	-	-	
718	Chemicals	-	-	-	
720	Materials and Supplies	2,609	1,275	3,884	48,342
720	Materials and Supplies	-	58	58	
720	Materials and Supplies	6,763	6,388	13,151	
720	Materials and Supplies	-	-	-	
720	Materials and Supplies	-	-	-	
720	Materials and Supplies	445	860	1,305	
720	Materials and Supplies	150	1,786	1,936	
720	Materials and Supplies	2,229	3,623	5,852	
720	Materials and Supplies	-	-	-	
720	Materials and Supplies	-	-	-	
720	Materials and Supplies	9,232	12,925	22,157	
731	Contractual Services - Engineering	-	-	-	1,050,827
731	Contractual Services - Engineering	-	-	-	
732	Contractual Services - Accounting	150	(4,156)	(4,006)	
733	Contractual Services - Legal	7,411	886	8,296	
734	Contractual Services - Management Fees	-	-	-	
734	Contractual Services - Management Fees	-	-	-	
734	Contractual Services - Management Fees	5,614	7,032	12,646	
734	Contractual Services - Management Fees	-	-	-	
734	Contractual Services - Management Fees	-	-	-	
734	Contractual Services - Management Fees	-	-	-	
734	Contractual Services - Management Fees	11,799	12,817	24,616	
734	Contractual Services - Management Fees	51,179	65,967	117,146	
734	Contractual Services - Management Fees	26,972	27,281	54,253	
734	Contractual Services - Management Fees	-	-	-	
734	Contractual Services - Management Fees	40,301	50,475	90,776	
734	Contractual Services - Management Fees	5,775	6,015	11,790	
734	Contractual Services - Management Fees	4,661	5,840	10,501	
734	Contractual Services - Management Fees	7,766	8,438	16,204	
734	Contractual Services - Management Fees	3,836	4,805	8,641	
734	Contractual Services - Management Fees	7,818	7,933	15,751	
734	Contractual Services - Management Fees	-	-	-	
734	Contractual Services - Management Fees	-	-	-	
735	Contractual Services - Testing	-	-	-	
735	Contractual Services - Testing	19,163	12,973	32,136	
735	Contractual Services - Testing	425	565	990	
735	Contractual Services - Testing	-	-	-	
736	Contractual Services - Other	39,922	51,299	91,221	
736	Contractual Services - Other	184,450	189,209	373,659	
736	Contractual Services - Other	10,725	840	11,565	
736	Contractual Services - Other	135	6,922	7,057	
736	Contractual Services - Other	36,006	22,303	58,309	
736	Contractual Services - Other	-	-	-	
736	Contractual Services - Other	-	-	-	
736	Contractual Services - Other	911	2,886	3,797	
736	Contractual Services - Other	-	415	415	
736	Contractual Services - Other	8,031	788	8,819	
736	Contractual Services - Other	630	-	630	

2014 TRIAL BALANCES

NARUC	Description ..	Woodmark	Tall Timbers	Combined	
736	Contractual Services - Other	-	-	-	
736	Contractual Services - Other	78,990	16,623	95,614	
741	Rental of Building/Real Property	3,274	3,551	6,825	
742	Rental of Equipment	68	68	135	114,546
742	Rental of Equipment	-	-	-	
742	Rental of Equipment	12,474	94,652	107,127	
742	Rental of Equipment	-	-	-	
742	Rental of Equipment	-	-	-	
742	Rental of Equipment	-	-	-	
742	Rental of Equipment	-	-	-	
742	Rental of Equipment	1,630	2,128	3,758	
742	Rental of Equipment	-	-	-	
742	Rental of Equipment	-	-	-	
742	Rental of Equipment	535	2,992	3,527	
750	Transportation Expenses	19,794	14,285	34,079	
750	Transportation Expenses	7,310	4,278	11,588	
756	Insurance - Vehicle	2,236	2,236	4,472	
757	Insurance - General Liability	7,282	4,330	11,612	
766	Regulatory Commission Expenses - Amortization	-	-	-	
767	Regulatory Commission Expenses - Other	-	-	-	
767	Regulatory Commission Expenses - Other	-	-	-	
770	Bad Debt Expense	10,322	3,379	13,702	
775	Miscellaneous Expenses	1,838	1,293	3,131	
775	Miscellaneous Expenses	34,007	2,670	36,676	
775	Miscellaneous Expenses	2,387	287	2,673	
775	Miscellaneous Expenses	12,338	17,583	29,921	
775	Miscellaneous Expenses	27,236	25,039	52,274	
Depreciation and Amortization Expense					
272	Amortization of CIAC	(77,687)	(58,271)	(135,958)	
403	Depreciation Expenses	10,791	197,561	208,352	
403	Depreciation Expenses	354,910	1,066	355,976	
403	Depreciation Expenses	6,225	3,066	9,291	
403	Depreciation Expenses	5,671	-	5,671	
407	Amortization Expense	-	7,058	7,058	
407	Amortization Expense	5,546	6,026	11,572	
Taxes Other than Income					
408	Taxes Other than Income	92,175	63,046	155,221	
408	Taxes Other than Income	-	-	-	
Income taxes					
409	Income Taxes	-	-	-	
409	Income Taxes	-	-	-	
Non-Operating Income and Expenses					
414	Gains (Losses) from Disposition of Utility Property	-	-	-	
419	Interest and Dividend Income	-	-	-	
419	Interest and Dividend Income	-	-	-	
420	Allowance for Funds Used During Construction	(5,980)	(72,852)	(78,832)	
420	Allowance for Funds Used During Construction	-	-	-	
427	Interest Expense	1,039	744	1,783	
427	Interest Expense	-	-	-	
427	Interest Expense	-	-	-	
428	Amortization of Debt Discount and Expense	-	-	-	
Total		(0)	0	(0)	

2013 TRIAL BALANCES

NARUC	Description	Woodmark	Tall Timbers	Combined	Summary
Plant in Service					
101	Utility Plant in Service	37,315	63,232	100,547	10,885,969
351	Organization	-	-	-	
352	Franchises	431,640	-	431,640	
353	Land and Land Rights	25,000	164,003	189,003	
354	Structures and Improvements	2,914,504	1,411,758	4,326,262	
355	Power Generation Equipment	2,200	-	2,200	
360	Collection Sewers - Force	2,521	594,253	596,773	
361	Collection Sewers - Gravity	513,682	526,495	1,040,177	
362	Special Collecting Structures	-	-	-	
363	Services to Customers	218,960	111,909	330,869	
364	Flow Measuring Devices	2,582	-	2,582	
365	Flow Measuring Installations	-	-	-	
366	Reuse Services	-	-	-	
367	Reuse Meters and Meter Installations	-	-	-	
370	Receiving Wells	-	-	-	
371	Pumping Equipment	809,180	514,880	1,324,060	
374	Reuse Distribution Reservoirs	-	-	-	
375	Reuse Transmission and Distribution System	-	-	-	
380	Treatment and Disposal Equipment	1,797,529	51,810	1,849,339	
381	Plant Sewers	329,824	-	329,824	
382	Outfall Sewer Lines	-	-	-	
389	Other Plant and Miscellaneous Equipment	107,824	(24,044)	83,780	
390	Office Furniture and Equipment	90,964	47,929	138,893	
390.1	Computer & Software	-	-	-	
391	Transportation Equipment	69,747	29,488	99,235	
392	Stores Equipment	-	-	-	
393	Tools, Shop and Garage Equipment	-	30,484	30,484	
394	Laboratory Equipment	10,300	-	10,300	
395	Power Operated Equipment	-	-	-	
396	Communication Equipment	-	-	-	
397	Miscellaneous Equipment	-	-	-	
398	Other Tangible Plant	-	-	-	
Accumulated Depreciation					
108	Accumulated Depreciation				(3,503,088)
108	Accumulated Depreciation	-	-	-	
351	Organization	-	-	-	
351	Organization	-	-	-	
352	Franchises	(85,884)	-	(85,884)	
354	Structures and Improvements	(1,113,458)	(931,187)	(2,044,645)	
354	Structures and Improvements	-	1,005	1,005	
355	Power Generation Equipment	(788)	-	(788)	
355	Power Generation Equipment	-	-	-	
360	Collection Sewers - Force	(361)	(40,611)	(40,972)	
360	Collection Sewers - Force	-	-	-	
361	Collection Sewers - Gravity	(134,224)	(74,314)	(208,539)	
361	Collection Sewers - Gravity	-	8,840	8,840	
362	Special Collecting Structures	-	-	-	
362	Special Collecting Structures	-	-	-	
363	Services to Customers	(81,721)	(27,111)	(108,831)	
363	Services to Customers	-	-	-	
364	Flow Measuring Devices	(2,432)	-	(2,432)	
364	Flow Measuring Devices	-	-	-	
365	Flow Measuring Installations	-	-	-	
365	Flow Measuring Installations	-	-	-	
366	Reuse Services	-	-	-	
366	Reuse Services	-	-	-	
367	Reuse Meters and Meter Installations	-	-	-	
367	Reuse Meters and Meter Installations	-	-	-	
370	Receiving Wells	-	-	-	

2013 TRIAL BALANCES

NARUC	Description	Woodmark	Tall Timbers	Combined	Summary
370	Receiving Wells	-	-	-	
371	Pumping Equipment	(377,635)	(302,697)	(680,332)	
371	Pumping Equipment	-	-	-	
374	Reuse Distribution Reservoirs	-	-	-	
374	Reuse Distribution Reservoirs	-	-	-	
375	Reuse Transmission and Distribution System	-	-	-	
375	Reuse Transmission and Distribution System	-	-	-	
380	Treatment and Disposal Equipment	(142,686)	(3,958)	(146,644)	
380	Treatment and Disposal Equipment	-	-	-	
381	Plant Sewers	(4,013)	-	(4,013)	
381	Plant Sewers	-	-	-	
382	Outfall Sewer Lines	-	-	-	
382	Outfall Sewer Lines	-	-	-	
389	Other Plant and Miscellaneous Equipment	(17,355)	-	(17,355)	
389	Other Plant and Miscellaneous Equipment	-	-	-	
390	Office Furniture and Equipment	(40,519)	(16,293)	(56,811)	
390	Office Furniture and Equipment	-	-	-	
390	Office Furniture and Equipment	-	-	-	
390	Office Furniture and Equipment	-	-	-	
391	Transportation Equipment	(59,381)	(28,423)	(87,804)	
391	Transportation Equipment	-	-	-	
392	Stores Equipment	-	-	-	
392	Stores Equipment	-	-	-	
393	Tools, Shop and Garage Equipment	(11,809)	(5,772)	(17,582)	
393	Tools, Shop and Garage Equipment	-	-	-	
394	Laboratory Equipment	(10,300)	-	(10,300)	
394	Laboratory Equipment	-	-	-	
395	Power Operated Equipment	-	-	-	
395	Power Operated Equipment	-	-	-	
396	Communication Equipment	-	-	-	
396	Communication Equipment	-	-	-	
397	Miscellaneous Equipment	-	-	-	
397	Miscellaneous Equipment	-	-	-	
398	Other Tangible Plant	-	-	-	
398	Other Tangible Plant	-	-	-	
Current Assets					
103	Property Held for Future Use	-	-	-	
105	Construction Work in Progress	51,790	411,551	463,341	
105	Construction Work in Progress	12,470	18,420	30,890	
114	Utility Plant Acquisition	1,000	134,249	135,249	
131.1	Cash on Hand	8,186	14,506	22,692	
131.2	Cash in Bank	-	-	-	
131.2	Cash in Bank	300	1,050	1,350	
132	Special Deposits	-	-	-	
132	Special Deposits	-	-	-	
132	Special Deposits	-	-	-	
132	Special Deposits	-	-	-	
141	Customer Accounts Receivable	54,045	32,649	86,695	
142	Other Accounts Receivable	-	-	-	
143	Accumulated Provision for Uncollectible Accounts	(11,139)	(10,349)	(21,488)	
145	Accounts Receivable from Associated Companies	-	-	-	
162	Prepayments	-	-	-	2,933
162	Prepayments	1,304	1,629	2,933	
162	Prepayments	-	-	-	
173	Accrued Utility Revenues	115,286	100,517	215,804	
173	Accrued Utility Revenues	-	-	-	
184	Clearing Accounts	-	-	-	
186	Miscellaneous Deferred Debits	-	-	-	
186	Miscellaneous Deferred Debits	-	-	-	
186	Miscellaneous Deferred Debits	-	8,745	8,745	
186	Miscellaneous Deferred Debits	9,573	-	9,573	
186	Miscellaneous Deferred Debits	-	-	-	
186	Miscellaneous Deferred Debits	-	-	-	

2013 TRIAL BALANCES

NARUC	Description	Woodmark	Tall Timbers	Combined	Summary
Current Liabilities					
231	Accounts Payable	(9,657)	(10,872)	(20,529)	
233	Accounts Payable to Associated Companies	-	-	-	
233	Accounts Payable to Associated Companies	1,109,373	1,395,929	2,505,303	
233	Accounts Payable to Associated Companies	(2,827,939)	(359,068)	(3,187,007)	
235	Customer Deposits	300	300	600	(25,833)
235	Customer Deposits	(15,559)	(10,874)	(26,433)	
236	Accrued Taxes	-	-	-	
236	Accrued Taxes	8,008	(11,210)	(3,202)	
237	Accrued Interest	(1,870)	(1,702)	(3,572)	
241	Miscellaneous Current and Accrued Liabilities	(25,899)	(149,821)	(175,720)	
241	Miscellaneous Current and Accrued Liabilities	0	(3,251)	(3,251)	
241	Miscellaneous Current and Accrued Liabilities	-	-	-	
241	Miscellaneous Current and Accrued Liabilities	-	-	-	
242	Miscellaneous Current and Accrued Liabilities	(11,582)	(9,716)	(21,299)	
252	Advances for Construction	(2,500)	(2,500)	(5,000)	
283	Accum Deferred Income Tax				
Non-Investor Supplied Capital					
271	Contributions in Aid of Construction	(2,223,608)	(1,443,850)	(3,667,458)	(2,777,000)
271	Contributions in Aid of Construction	(14,500)	(11,000)	(25,500)	
272	Accumulated Amortization of Contributions in Aid of Construction	675,405	240,554	915,959	
Capital					
201	Common Stock Issued	(483,040)	(1,100)	(484,140)	(4,238,803)
211	Other Paid-In Capital	(499,946)	(510,308)	(1,010,254)	
211	Other Paid-In Capital	-	(250)	(250)	
211	Other Paid-In Capital	-	164,353	164,353	
211	Other Paid-In Capital	407,489	358,924	766,413	
214	Appropriated Retained Earnings	-	-	-	
216	Reacquired Capital Stock	(1,525,155)	(2,149,770)	(3,674,924)	
Operating Revenues					
521.1	Residential Revenues	(1,028,600)	(979,218)	(2,007,818)	
521.2	Commercial Revenues	(51,338)	(206,591)	(257,930)	
521.3	Industrial Revenues	-	-	-	
522.1	Residential Revenues	-	-	-	
522.2	Commercial Revenues	-	-	-	
522.3	Industrial Revenues	-	-	-	
536	Other WasteWater Revenues	(5,500)	-	(5,500)	
536	Other WasteWater Revenues	(19,575)	(6,850)	(26,425)	
536	Other WasteWater Revenues	(1,320)	-	(1,320)	
536	Other WasteWater Revenues	(11,985)	(380)	(12,365)	
536	Other WasteWater Revenues	(85)	(7,435)	(7,520)	
536	Other WasteWater Revenues	-	(7,300)	(7,300)	
536	Other WasteWater Revenues	-	(82)	(82)	
544	Reuse Revenues from Other Systems	-	-	-	
Operating Expenses					
701	Salaries and Wages - Employees	-	-	-	
701	Salaries and Wages - Employees	194,482	160,732	355,213	
710	Purchased WasteWater Treatment	14,301	3,511	17,812	444,106
711	Sludge Removal Expense	101,817	94,773	196,590	

2013 TRIAL BALANCES

[illegible]

2013 TRIAL BALANCES

NARUC	Description	Woodmark	Tall Timbers	Combined	Summary
736	Contractual Services - Other	-	-	-	
736	Contractual Services - Other	-	-	-	
736	Contractual Services - Other	-	-	-	
736	Contractual Services - Other	-	-	-	
736	Contractual Services - Other	-	-	-	
736	Contractual Services - Other	-	-	-	
736	Contractual Services - Other	-	-	-	
741	Rental of Building/Real Property	3,151	3,152	6,303	
742	Rental of Equipment	65	65	130	95,878
742	Rental of Equipment	17,831	67,323	85,155	
742	Rental of Equipment	5,069	568	5,637	
742	Rental of Equipment	2,334	2,623	4,957	
742	Rental of Equipment	-	-	-	
742	Rental of Equipment	-	-	-	
742	Rental of Equipment	-	-	-	
742	Rental of Equipment	-	-	-	
742	Rental of Equipment	-	-	-	
742	Rental of Equipment	-	-	-	
742	Rental of Equipment	-	-	-	
750	Transportation Expenses	14,417	12,933	27,350	34,790
750	Transportation Expenses	3,855	3,585	7,440	
756	Insurance - Vehicle	2,050	1,925	3,975	
757	Insurance - General Liability	9,765	8,119	17,884	
766	Regulatory Commission Expenses - Amortization	-	-	-	
767	Regulatory Commission Expenses - Other	-	-	-	
767	Regulatory Commission Expenses - Other	-	-	-	
770	Bad Debt Expense	3,476	1,516	4,991	
775	Miscellaneous Expenses	1,850	878	2,728	
775	Miscellaneous Expenses	1,817	2,829	4,646	
775	Miscellaneous Expenses	290	290	581	
775	Miscellaneous Expenses	10,308	18,379	28,687	
775	Miscellaneous Expenses	21,581	22,264	43,845	
Depreciation and Amortization Expense					
272	Amortization of CIAC	(73,337)	(58,271)	(131,609)	
403	Depreciation Expenses	10,791	115,877	126,668	
403	Depreciation Expenses	-	4,264	4,264	
403	Depreciation Expenses	10,010	938	10,948	
403	Depreciation Expenses	7,006	-	7,006	
407	Amortization Expense	236,710	7,965	244,676	
407	Amortization Expense	(10)	(11)	(21)	
Taxes Other than Income					
408	Taxes Other than Income	49,572	57,633	107,204	
408	Taxes Other than Income	-	-	-	
Income taxes					
409	Income Taxes				
409	Income Taxes				
Non-Operating Income and Expenses					
414	Gains (Losses) from Disposition of Utility Property	-	-	-	
419	Interest and Dividend Income	-	-	-	
419	Interest and Dividend Income	-	-	-	
420	Allowance for Funds Used During Construction	(32,791)	(26,783)	(59,574)	
420	Allowance for Funds Used During Construction	-	-	-	
427	Interest Expense	1,278	894	2,172	
427	Interest Expense	-	-	-	

2013 TRIAL BALANCES

NARUC	Description	Woodmark	Tall Timbers	Combined	Summary
427	Interest Expense	-	-	-	
428	Amortization of Debt Discount and Expense	-	-	-	
	Total	(0)¹	0	0	

2015 DEPRECIATION EXPENSE

NARUC	Woodmark	Tall Timbers	Combined
352	10,791		10,791
354	114,420	73,439	187,859
355	(568)		(568)
360	928	12,388	13,316
361	12,863	11,345	24,209
363	10,948	5,302	16,250
370	2,829		2,829
371	171,223	194,428	365,651
380	73,475	25,014	98,489
381	12,292	9,914	22,206
389	1,866	3,433	5,299
390	6,217	3,594	9,811
390.1	297	824	1,122
391	3,615	554	4,169
393	23,290	8,077	31,367
394	(9,094)		(9,094)
395		259	259
396	309	504	812
Book	435,701	349,076	784,777
Correct	429,186	349,076	778,262
272	77,770	58,271	136,041

2015 DEFERRED INCOME TAXES

NARUC	Description	Woodmark	Tall Timbers	Combined
190	ADIT -- Net Operating Loss Carry-Forwards	597,191	75,498	672,689
281	ADIT -- Accelerated Depreciation of Property	(736,667)	(899,631)	(1,636,298)
282	ADIT -- Other Property	(71,289)	-	(71,289)
283	ADIT -- Other (Bad Debts)	578	1,427	2,005
		(210,188)	(822,706)	(1,032,894)

2015 PREPAYMENTS

NARUC	Month	Year	Woodmark	Tall Timbers	Combined	Description
162	12	2014	1,786	2,210	3,996	Prepaid Licences Fees & Permits
162	1	2015	1,725	2,132	3,857	Prepaid Licences Fees & Permits
162	2	2015	1,725	2,132	3,857	Prepaid Licences Fees & Permits
162	3	2015	1,569	1,938	3,507	Prepaid Licences Fees & Permits
162	4	2015	1,412	1,744	3,156	Prepaid Licences Fees & Permits
162	5	2015	1,255	1,551	2,805	Prepaid Licences Fees & Permits
162	6	2015	1,098	1,357	2,455	Prepaid Licences Fees & Permits
162	7	2015	941	1,163	2,104	Prepaid Licences Fees & Permits
162	8	2015	784	969	1,753	Prepaid Licences Fees & Permits
162	9	2015	471	775	1,246	Prepaid Licences Fees & Permits
162	10	2015	314	581	895	Prepaid Licences Fees & Permits
162	11	2015	1,983	2,644	4,627	Prepaid Licences Fees & Permits
162	12	2015	1,877	2,051	3,929	Prepaid Licences Fees & Permits
Total					38,187	
Average					2,937	

2015 BILLING UNITS (Base Equivalent Rate Units)

Month	Year	Woodmark	Tall Timbers	Combined
January	2015	1,876	2,135	4,011
February	2015	1,783	2,307	4,089
March	2015	1,760	2,184	3,944
April	2015	1,763	2,214	3,977
May	2015	1,781	2,212	3,993
June	2015	1,794	2,231	4,025
July	2015	1,781	2,516	4,297
August	2015	1,798	2,241	4,038
September	2015	1,783	2,266	4,048
October	2015	1,785	2,273	4,058
November	2015	1,791	2,267	4,058
December	2015	1,794	2,267	4,061
Total		21,488	27,112	48,600