



Control Number: 46333



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SOAH DOCKET NO. 473-17-2285.WS  
PUC DOCKET NO. 46333

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PUBLIC UTILITY COMMISSION  
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APPLICATION OF PK-RE § BEFORE THE STATE OFFICE  
DEVELOPMENT COMPANY, INC. §  
D/B/A GREENSHORES UTILITY §  
SERVICES AND D/B/A OAK SHORES § OF  
WATER SYSTEM FOR AUTHORITY §  
TO CHANGE RATES AND TARIFFS §  
IN TRAVIS COUNTY § ADMINISTRATIVE HEARINGS

PK-RE DEVELOPMENT COMPANY'S RESPONSE  
TO COMMISSION STAFF'S  
SECOND REQUEST FOR INFORMATION

PK-RE Development Company d/b/a Oak Shores Water System ("PK-RE") files this Response to the Second Request for Information ("RFI") filed by Public Utility Commission ("Commission") Staff. The discovery request was received by PK-RE on March 16, 2017. By agreement with Staff, the responses are timely filed. Pursuant to 16 Tex. Admin. Code § 22.144(c)(2)(F), these responses may be treated as if they were filed under oath.

Respectfully submitted,


PK-RE Development Company, Inc. dba  
Oak Shores Water System  
500 N. Capital Hwy., Bldg. 1, Suite 125  
Austin, Texas 78746  
(512) 402-1900



RUSSELL EPPRIGHT, President  
Hill County Galleria, Bldg. B  
13301 Galleria Circle, Suite B175  
Bee Cave, Texas 78738  
(512) 347-1530

### **CERTIFICATE OF SERVICE**

I hereby certify that on April 10th, 2017, true and correct copy of the foregoing document has been served on all parties of record in accordance with 16 Tex. Admin. Code § 22.74.

  
\_\_\_\_\_  
GEORGIA N. CRUMP

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**PK-RE's RESPONSES TO  
COMMISSION STAFF'S SECOND RFI**

STAFF 2-1 Please provide all federal tax returns for PK-RE Development, Inc. and all affiliates who sold lots in the subdivisions served by the water and/or wastewater system from 2004 to the present. Include tax returns which reflect revenues and expenses for the development and the water and wastewater systems.

**Response**

Please see Attachment Staff 2-1.

Prepared by: Russell Eppright  
Sponsored by: Russell Eppright

**PK-RE's RESPONSES TO  
COMMISSION STAFF'S SECOND RFI**

STAFF 2-2 Did PK-RE Development, Inc. or an affiliate expense any of the costs for the water and wastewater plant reflected in the application against sales of lots served by the water and/or wastewater plants on a tax return? Please provide a full list of assets expensed by NARUC chart of accounts number, name of plant item, and cost expensed.

**Response**

For tax purposes, yes. PK-RE Development, Inc. affiliates PK-RE, Ltd. and Woods of Greenshores, Ltd. expensed the costs for the water and wastewater plant in the costs of lots sold for tax purposes. PK-RE Development, Inc. and its affiliates do not use NARUC accounting.

See Attachment Staff 2-2 for items expensed by these development companies as cost of lots sold before 6/30/07. Additionally, post 6/30/07, Woods of Greenshores, Ltd. had \$1,201,286.95 of costs as follows:

- Ground Storage Tank-Keystone (38,500)
- Engineering-CBD \$115,458.44
- Engineering-Burry Partners \$49,982.10
- Utilities-Jobsite Construction \$1,057,346.41
- Grinder Pumps \$17,000

These costs are not contributed capital because they are not on PK-RE Development, Inc.'s books and were not put in rate base. PK-RE Development, Inc. and its affiliates never received reimbursement for these contributions from customers.

Prepared by: Kenneth Gorence  
Sponsored by: Russell Eppright

**PK-RE's RESPONSES TO  
COMMISSION STAFF'S SECOND RFI**

STAFF 2-3 Please provide a reconciliation by individual plant item/component for water and sewer separately, if applicable, between rate cases filed by PK-RE Development, Inc. as follows: Texas Commission on Environmental Quality (TCEQ) application number 35402-G (Water), TCEQ application numbers 37438-R and 37439-R, and the plant totals and individual items claimed in this case.

**Response**

The requested reconciliation is provided in the attached spreadsheet titled "Attachment Staff 2-3 Plant Reconciliation.xlsx."

Prepared by: Donald Clayton  
Sponsored by: Russell Eppright

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**PK-RE's RESPONSES TO  
COMMISSION STAFF'S SECOND RFI**

STAFF 2-4 Please explain why the current application contains items installed in 2004 which were not reported on the plant schedule for TCEQ application number 35402-G (Water) as follows:

1. Trench cut of \$46,694
2. Main line engineering and legal of \$116,348
3. 350,000 gallon GST Engineering & Legal-Greenshores of \$91,688
4. New Water main of \$38,070

**Response**

The items described above were inadvertently omitted from the TCEQ application 35402-G (Water).

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Sponsored by: Russell Eppright

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**PK-RE's RESPONSES TO**  
**COMMISSION STAFF'S SECOND RFI**

STAFF 2-5 Please provide paid invoices and work orders for all plant items listed on the water and wastewater depreciation schedules supporting the original cost of such assets by NARUC account number.

**Response**

The requested documents are voluminous and are available for inspection at Mr. Eppright's office. Please contact Mr. Eppright to arrange an appointment to view the documents.

Prepared by: Russell Eppright  
Sponsored by: Russell Eppright.

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**PK-RE's RESPONSES TO  
COMMISSION STAFF'S SECOND RFI**

STAFF 2-6     Please provide an itemized list of all plant in service in this application that was expensed on any tax return for federal income tax purposes. The list should include the NARUC account in which the item is claimed in this application, the name of the item, the amount expensed on the tax return, the year installed, the year expensed, and the amount claimed on the application for the item.

**Response**

PK-RE Development Company, Inc. has not expensed any items. The amounts expensed by affiliates PK-RE, Ltd. and Woods of Greenshores, Ltd. would be identical to the information provided in PK-RE Response to Staff RFI 2-2.

Prepared by: Kenneth Gorence  
Sponsored by: Russell Eppright

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**PK-RE's RESPONSES TO  
COMMISSION STAFF'S SECOND RFI**

STAFF 2-7 Provide all financial statements, (income statements, balance sheets) for PK-RE from 2004 to current.

**Response**

Please see Attachment Staff 2-7.

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Sponsored by: Russell Eppright

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**PK-RE's RESPONSES TO  
COMMISSION STAFF'S SECOND RFI**

STAFF 2-8 Provide general ledgers for PK-RE in Microsoft Excel format for the test year and one year prior to the test year.

**Response**

Please see Attachment Staff 2-8.

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Sponsored by: Russell Eppright

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**PK-RE's RESPONSES TO**  
**COMMISSION STAFF'S SECOND RFI**

STAFF 2-9 Provide the general journal including all adjusting journal entries used to develop the financial statements for PK-RE for the year and one year prior to the test year.

**Response**

Please see Attachment Staff 2-9.

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Sponsored by: Russell Eppright

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**PK-RE's RESPONSES TO**  
**COMMISSION STAFF'S SECOND RFI**

STAFF 2-10 Provide the amount of accumulated deferred federal income tax for the end of the test year and one year prior resulting from any accelerated depreciation taken for federal income tax purposes for the water and sewer assets and any other source. Provide all relevant calculations and source documents to support this number.

**Response**

PK-RE Development Company, Inc. and its affiliates keeps books on a tax basis and does not prepare GAAP or book financial statements, so it has no deferred federal income tax calculations:

Prepared by: Kenneth Gorence  
Sponsored by: Russell Eppright

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**PK-RE's RESPONSES TO**  
**COMMISSION STAFF'S SECOND RFI**

STAFF 2-11 Provide a list of all affiliated interests as defined by Texas Water Code § 13.002(2).

**Response**

Russell Eppright  
1504 Barton Springs  
Austin, Texas 78733  
Owns 89% of PK-RE Development Company, Inc. and also owns 100% of  
R2 Development, Inc.

Boxcar Partners, L.L.P.  
2305 Windsor Road  
Austin, Texas 78703  
Owns 11% of PK-RE Development Company, Inc.

PK-RE, Ltd.  
Woods of Greenshores, Ltd.  
PK-RE GP, LLC  
R2 Development, Inc.

Prepared by: Kenneth Gorence  
Sponsored by: Russell Eppright

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**PK-RE's RESPONSES TO**  
**COMMISSION STAFF'S SECOND RFI**

STAFF 2-12 Are all the subdivisions prospectively to be served by PK-RE currently built out? If not, please provide the number of vacant lots by subdivision that will receive water and/or wastewater service from PK-RE in the future using the plant currently being claimed in this application.

**Response**

No. There are three (3) vacant lots left in the Greenshores on Lake Austin subdivision and seven (7) vacant lots in the Woods of Greenshores subdivision. These lots are interspersed throughout the subdivisions.

Prepared by: Russell Eppright  
Sponsored by: Russell Eppright

