



Control Number: 46438



Item Number: 248

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SOAH DOCKET NO. 473-17-2372.WS  
PUC DOCKET NO. 46438

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2017 MAY 10 AM 9:12

APPLICATION OF J&S WATER §  
COMPANY, LLC FOR A §  
RATE/TARIFF CHANGE §

BEFORE THE STATE OFFICE  
OF PUBLIC UTILITY COMMISSION  
ADMINISTRATIVE HEARINGS

FILING CLERK

**COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION TO  
J&S WATER COMPANY, LLC  
QUESTION NOS. STAFF 5-1 THROUGH STAFF 5-39**

Pursuant to 16 Tex. Admin. Code § 22.144 of the Commission's Procedural Rules, the Staff of the Public Utility Commission of Texas (Staff) requests that J&S Water Company, LLC (J&S) by and through its attorneys of record, provide the following information and answer the following question(s) under oath. The question(s) shall be answered in sufficient detail to fully present all of the relevant facts, within the time limit provided by the Presiding Officer or within 20 days, if the Presiding Officer has not provided a time limit. Please copy the question immediately above the answer to each question. These question(s) are continuing in nature, and if there is a relevant change in circumstances, submit an amended answer, under oath, as a supplement to your original answer. State the name of the witness in this cause who will sponsor the answer to the question and can vouch for the truth of the answer.

Provide an original and three copies of your answers to the questions to the Filing Clerk, Public Utility Commission of Texas, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326.

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Dated: May 10, 2017

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director-Legal Division

Karen S. Hubbard  
Managing Attorney - Legal Division



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**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on May 10, 2017 in accordance with 16 TAC § 22.74.



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Landon J. Lill

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**COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION TO  
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**DEFINITIONS**

- A. **“J&S”, “the Company” or “you”** refers to the J&S Water Company, LLC and any person acting or purporting to act on their behalf, including without limitation, attorneys, agents, advisors, investigators, representatives, employees or other persons.
- B. **“Document”** includes any written, recorded, or graphic matter, however produced or reproduced, including but not limited to correspondence, telegrams, contracts, agreements, notes in any form, memoranda, diaries, voice recording tapes, microfilms, pictures, computer media, work papers, calendars, minutes of meetings or other writings or graphic matter, including copies containing marginal notes or variations of any of the foregoing, now or previously in your possession. In the event any documents requested by this Request for Information have been transferred beyond the Company's control, describe the circumstances under which the document was destroyed or transferred and provide an exact citation to the subject document. In the event that documents containing the exact information do not exist, but documents do exist which contain portions of the required information or which contain substantially similar information, then the definition of “documents” shall include the documents which do not exist and these documents will be provided.

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**INSTRUCTIONS**

- 1) Pursuant to 16 Tex. Admin. Code § 22.144(c)(2), Staff requests that answers to the requests for information be made under oath.
- 2) Please copy the question immediately above the answer to each question. State the name of the witness in this cause who will sponsor the answer to the question and can vouch for the truth of the answer.
- 3) These questions are continuing in nature, and if there is a relevant change in circumstances, submit an amended answer, under oath, as a supplement to your original answer.
- 4) Words used in the plural shall also be taken to mean and include the singular. Words used in the singular shall also be taken to mean and include the plural.
- 5) The present tense shall be construed to include the past tense, and the past tense shall be construed to include the present tense.
- 6) If any document is withheld under any claim of privilege, please furnish a list identifying each document for which a privilege is claimed, together with the following information: date, sender, recipients or copies, subject matter of the document, and the basis upon which such privilege is claimed.
- 7) Pursuant to 16 Tex. Admin. Code § 22.144(g)(4), if the response to any request is voluminous, please provide a detailed index of the voluminous material.
- 8) Staff requests that each item of information be made available as it is completed, rather than upon completion of all information requested.

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**COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION TO  
J&S WATER COMPANY, LLC  
QUESTION NOS. STAFF 5-1 THROUGH STAFF 5-39**

- Staff 5-1 Provide an electronic copy of the general ledger for the test year and year following the test year. The hardcopy submitted has too small of font to clearly determine amounts reported.
- Staff 5-2 AFTE Financial Services Invoice 31577 refers to "Time spent in regards to mortgage loan." Please provide a copy of the mortgage loan and justify how the loan relates to the utility's water and sewer operations.
- Staff 5-3 Explain the need to refinance the property as referred to in AFTE Financial Services Invoice 31554 and justify how the loan relates to the utility's water and sewer operations.
- Staff 5-4 Provide a more detailed and clear justification for costs incurred under invoice 30562 from AFTE Financial Services for "review of financial information." Include total hours worked per task and hourly rates applied.
- Staff 5-5 Provide copies of cancelled checks (or check stubs) for all AFTE Financial Services and Matthew Lawson, PLLC, payments claimed in the application for the test year.
- Staff 5-6 Provide a clear explanation for the patent related expenses claimed and how the patent expense should be borne by the customers of the utility?
- Staff 5-7 Please provide a reconciliation of all invoices for professional services to the claimed amount of \$20,565. Provide references to invoice number, invoice date, payee, description of services, check number, invoice amount by service offered, and amount paid.
- Staff 5-8 Does J&S Water Company, Inc. have any projected capital improvement plans? If yes, please provide a copy of any supporting documentation such as specs and plans.
- Staff 5-9 Please provide the hourly rates for the following contracted services:
- a.) AFTE Financial Services – Include hourly rates for all financial and administrative staff who provide services to J&S Water Company, LLC.

- b.) Mathew Lawson, PLLC – Include rates for all legal, paralegal, and administrative staff who have provided services to J&S Water Company, LLC.

Staff 5-10 Provide revised invoices for AFTE Financial Services that clearly outline the hourly rate and number of hours of service provided to J&S Water Company, LLC within the test year and known and measurable year.

Staff 5-11 Provide the remaining invoices supporting contract work claimed of \$45,467 for water and \$35,724. Invoices provided in item 243, of docket 46438, pages 7-43 total \$15,217.50.

Staff 5-12 Please provide a copy of the following cancelled checks (or check stubs) to contractor Richard Reynolds. The handwritten responses provided are not sufficient:

a.) 11/11/17	check no. 6449	\$ 560.00
b.) 11/4/17	check no. 6447	\$1,647.50
c.) 12/18/17	check no. 6468	\$ 490.00
d.) 11/23/16	check no. 6453	\$ 630.00
e.) 11/17/16	check no. 2172	\$ 770.00
f.) unknown	check no. 5543	\$1,000.00
g.) 10/13/16	check no. 6430	\$ 490.00
h.) unknown	check no. 6405	\$ 560.00
i.) unknown	check no. 6429	\$ 455.00

Staff 5-13 Provide copies of invoices and checks supporting the contract work claimed amounts as follows:

- a.) The application states that \$81,191 in contract work expenses for both water and sewer services were incurred for the test year running from August 1, 2015, through July 31, 2016. However, of the invoices submitted only one contract work invoice for \$1,000 illustrates services rendered during the test period. Please provide the remaining invoices and cancelled check copies (or check stubs) supporting the test year expenses claimed on the application.
- b.) Of the remaining supporting documentation presented to support contract work expenses, post-test year expenses total only \$14,217.50. Please clarify the purpose of providing post-test year invoices when no known and measurable changes were claimed.

Staff 5-14 Please explain why the Applicant has late fees for the financing of a 2012 Ford F350 and provide the following:

- a.) Provide a copy of the 2015 transaction history.
- b.) Reconcile late charges to the general ledger. Is this expense recorded as an automobile expense or other expense category in the general ledger?
- c.) If low bank account balances are the reason for late payments, please provide print outs of the bank account balance illustrating balances were too low on the date the vehicle payment was due.
- d.) If low bank account balances are not the reason for the late payments, please explain:
  - 1.) Why were payments made late on a consistent basis?
  - 2.) Why this cost should be borne by the utility's customers?

Staff 5-15 Provide invoices and cancelled checks (or check stubs) supporting the Power Expense – production only amounts reported as follows:

- a.) For Water - \$32,817
- b.) For Sewer - \$25,785

Staff 5-16 Provide invoices and cancelled checks (or check stubs) supporting the Other Volume Related Expense amounts reported as follows:

- a.) For Water - \$ 4,681
- b.) For Sewer - \$81,474

Staff 5-17 Provide invoices and cancelled checks (or check stubs) supporting that the 5,000-gallon pressure storage tank that was installed during the known and measurable period. Also, provide support for it's used and usefulness.

Staff 5-18 Provide support that the amounts charged by Sludgenet to J&S Water Company, LLC are similar to other sludge hauling companies in the area by providing the following supporting data:

- a.) A list of all sludge hauling companies within the county and surrounding counties.
- b.) Price charged by Sludgenet to haul sludge.
- c.) Prices charged by all sludge hauling companies listed in 18.a. to haul sludge.

Staff 5-19 Per item 247 of docket 46438, page 7, line 3 of Mr. Haag's testimony, \$15,383.55 in rate case expense has been incurred thus far. Provide all rate case expense invoices with hourly rates and detailed descriptions of services provided that the utility plans to claim.

Staff 5-20 Provide invoices and copies of cancelled checks (or check stubs) for equipment insurance for pre-test year, during test year, and post-test year.



- a.) Justify the necessity and reasonableness of the increase of \$4,995 in 2015 to \$12,211 in 2016 by reconciling insurance costs per asset in 2015 to insurance costs per asset in 2016.

Staff 5-21 Provide invoices and copies of cancelled checks (or check stubs) for liability insurance for pre-test year, during test year, and post-test year.

- a.) Justify the necessity and reasonableness of the increase of \$3,708 in 2015 to \$6,131 in 2016 and why the additional insurance was necessary.

Staff 5-22 Provide invoices and copies of cancelled checks (or check stubs) for vehicle insurance for pre-test year, during test year, and post-test year. Explain the reason for the increase of \$10,519 in 2015 to \$15,683 in 2016 and if there was a new vehicle purchased. Also, reconcile insurance costs by vehicle in 2015 and also 2016.

Staff 5-23 Provide invoices and cancelled checks (or check stubs) for license and permits for pre-test year, during test year, and post-test year.

- a.) Justify the necessity and reasonableness of the increase of \$3,750 in 2015 to \$8,400 in 2016.

Staff 5-24 Provide invoices and cancelled checks (or check stubs) for all miscellaneous expenses claimed after adjustments, \$34,596 for water, \$27,183 for sewer, noted in Brett Fenner's testimony on page 12

Staff 5-25 Provide invoices and cancelled checks (or check stubs) for travel and entertainment test year expenses which are included as a miscellaneous line item in Schedule I-1.

- a.) Justify the necessity and reasonableness of the increase of \$54 in 2015 to \$20,500 in 2016 in travel and entertainment costs and why this should be borne by the customers.

Staff 5-26 Provide invoices and cancelled checks (or check stubs) for travel test year expenses which are also included as a miscellaneous line item in Schedule I-1.

- a.) Justify the necessity and reasonableness of the increase of \$4 in 2015 to \$3,000 in 2016.
- b.) Provide the allocation breakout of these costs between water and sewer.
- c.) Provide the basis for the allocation of these costs between water and sewer.

- Staff 5-27 Provide invoices and copies of the checks (or check stubs) for the reimbursement section of miscellaneous line item in Schedule I-1.
- a.) Justify the necessity and reasonableness of the increase of \$3,856 in 2015 to \$11,131 in 2016.
- Staff 5-28 Please explain why automobile expense of \$1,975, equipment rental of \$31,871, equipment repair of \$5,166, truck expense – tolls of \$(525), truck expense of \$3,152, gas and diesel of \$4,749, tags and registration of \$29, maintenance & repair of \$13,671, sewer of \$5,292, and supplies water of \$28,984 are all recorded to account 620 “Materials” and not recognized in the following accounts: purchased water, transportation expenses, and other plant maintenance.
- Staff 5-29 Please provide invoices and supporting detail for materials as claimed in Schedule I-1 as follows:
- a.) For water - \$ 35,847  
b.) For sewer - \$ 31,988  
c.) Capitalized - \$35,073  
d.) Also note how the capitalized items are allocated between water and sewer and the basis for the allocation.
- Staff 5-30 Please provide invoices supporting the adjusted claimed amount of \$38,815 (per page 11 of prefiled direct testimony of Bret Wayne Fenner) for office services and expenses.
- Staff 5-31 Please provide a reconciliation of W2 Earnings for 2015 – 2016 to claimed amounts in Schedule II-6 of page 26 of Bret Fenner’s testimony. The W2 statements do not break out amounts by month and since the test year is partially 2015 and 2016 this detail is necessary.
- Staff 5-32 Please reference both schedules submitted as Schedule III-1 Return in the submitted application. Please state the proposed capital structure for both schedules.
- Staff 5-33 Please confirm or deny if Sharon Beth Czerwonka is affiliated with J&S water in any way and specifically with regard to the definition of affiliated interest as defined by Texas Water Code §13.002(2).
- Staff 5-34 If Sharon Beth Czerwonka is affiliated with J&S Water, please provide evidence that the interest rate charged on the note payable to Ms. Czerwonka meets the Texas Water Code §13.185(e) with regards to payments to affiliated interests.

- Staff 5-35 Please provide any documentation available supporting that the percentage interest charged on the loan payable to Sharon Beth Czerwonka is at or below interest rates that are commonly available to entities similar to J&S.
- Staff 5-36 Reference the Real Estate Lien Note located in Exhibit I in Bret Fenner's testimony. Please state the reason why Jerry Nowling is listed as the borrower and not J&S Water.
- Staff 5-37 Reference the Real Estate Lien Note located in Exhibit I in Bret Fenner's testimony. Please state the reason for which the note issued by Sharon Beth Czerwonka was necessary.
- Staff 5-38 Reference the Real Estate Lien Note located in Exhibit I in Bret Fenner's testimony. Please provide details on what the note issued by Sharon Beth Czerwonka was used to pay for.
- Staff 5-39 Reference the Real Estate Lien Note located in Exhibit I in Bret Fenner's testimony. Please state the reason why typical financing was not sought from an institution (I.E. bank or credit union) instead of Sharon Beth Czerwonka.
- Staff 5-40 Please provide invoices justifying the sludge hauling fees totaling \$77,796 in section II-5 of the submitted application.