



Control Number: 47091



Item Number: 63

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TEXAS WATER SYSTEMS Inc

2017 JUN 23 AM 9:35

PUBLIC UTILITY COMMISSION
FILING CLERK

June 21, 2017

Public Utility Commission of Texas
Filing Clerk
1701 N Congress
Austin, Texas 78711

Re: Class B Rate/Tariff Change Application for Texas Water System Docket No. 47091
Response to Commission Staff's first request for information to Texas Water Systems, Inc.
Question Nos. Staff 1-4e through Staff 1-8.

Staff 1-4 Reference Schedule III-2, page 31, of the application:

- e. Please provide a sworn, written statement that no assets listed in the application were funded by developer or customer contributions in aid of construction or provide the appropriate amounts on Schedule III-8 and other appropriate schedules in the application.**

Response). All customer and or developer contributions in aid have been accounted for on the revised depreciation schedule Appendix (disc)

Staff 1-5 Provide an unlocked excel spreadsheet of all depreciable assets:

Response: Appendix (disc)

Staff 1-6 Provide a copy of the utility's capitalization policy.

Response: The utility does not maintain a written capitalization policy. It is normal practice for the utility to follow the following protocol for the capitalization of assets:

- With respect to the utility's asset listing for rate making, any major end item is capitalized when acquired and deployed regardless of reason for installation (e.g. repair, expansion, compliance, or otherwise). General repair and maintenance are NOT capitalized unless the repair includes the installation of a major end item. Generally speaking, this includes items with a cost greater than \$1,000.00.*
- With respect for the utility's asset listing for federal tax purposes, any major end item is capitalized when acquired and deployed regardless of reason for installation (e.g. repair, expansion, compliance, or otherwise). General repair and maintenance are NOT capitalized unless the repair includes the installation of a major end item. Generally speaking, this includes items with a cost greater than \$1,000.00.*

Staff 1-7 Are all of the additions to depreciable plant since the 2010 rate case incorporated into the provided depreciation table?

Response: Yes

Staff 1-8 Please provide a reconciliation between the assets claimed and the accumulated depreciation in the 2010 rate case and this schedule

Response: appendix (disc)

Additional information provided not based directly upon a Commission question.

In developing responses to questions related to the utility's depreciation and fixed asset schedules, we determined that the originally submitted asset schedule (Schedule III-3 Utility Plant in Service) was incorrect. Included with this response is a corrected schedule. Please note that the corrected annual depreciation (Schedule III-3, Column E, transferred to Schedule I-1 Revenue Requirement, line no. 25) is approximately \$15,000 higher. Thus, our rate design should include amounts to cover this additional expense to reach break-even. However, at this time, we are choosing not to amend Schedule VI Rate Design.

This document is prepared under oath and the name of witness who can sponsor the answers is Belinda Tompkins, Office Administrator.

Original and three copies have been provided as requested

SECTION III. PLANT & EQUIPMENT INFORMATION - WATER

B. ORIGINAL COST & DEPRECIATION SCHEDULE - WATER (2016)

[A]	[B]	[C]		[D.1]	[D.2]	[D]=[D1]-[D.2]	Depreciation			[G] = [D] - [F]		
Item	Date of Installation	Service Life (yrs)		Original Cost when installed (\$)	CIAC Amount	Adjusted Original Cost	Years in Service			[E] = [D]/[C] Annual (\$)	[F] Accumulated (\$)	[G] = [D] - [F] Net Book Value (\$)
		*	**				Yrs	Mos	Days			
303 Land				24,561		24,561						24,561
307 Wells		50		135,932		135,932			2,719		76,488	59,444
Well Pumps												
311 5hp or less		5		65,928		65,928				13,186		65,525
311 greater than 5 hp		10		46,024		46,024				4,602		39,821
Booster Pumps												
311 5hp or less		5		57,359		57,359				11,472		42,864
311 Greater than 5hp		10		39,340		39,340				3,934		10,461
Chlorinators		10		5,713		5,713				571		3,617
Chlorinators Gas		10		37,146		37,146				3,715		22,879
Structures												
304 Wood		15		15,725		15,725				1,048		13,329
304 Masonry		30		25,528		25,528				851		8,775
305 Storage Tanks		50		152,324		152,324				3,046		35,386
311 Pressure tanks		50		90,178		90,178				1,804		23,933
331 Distribution main and lines		50		1,142,756		871,589				22,855		272,514
334 Meters and service (not covered by fees)		20		177,110		159,206				8,856		93,237
341 Vehicles		5		57,891		57,891				11,578		12,726
343 Shop tools		15		1,230		1,230				82		1,053
348 Fencing		20		32,955		32,955				1,648		9,943
Other (please list)												
Furn. Fixtures				44,645		44,645				1,146		35,781
Other plant Misc/access Roads				44,233		44,233				3,441		31,551
Access Roads				5,324		5,324				177		2,618
totals				2,201,902	289,072	1,912,830				96,730		802,501
												1,108,351

UTILITY NAME: <u>Texas Water Systems 12473</u> SCHEDULES - CLASS B RATE/TARIFF CHANGE I-1 REVENUE REQUIREMENT SUMMARY PUC Docket No. _____ Test Year End: <u>2016</u>						
A	B	C	D	E	F=D+E	G
			Historical Test Year	K & M Changes	Adjusted Test Year	
Line No.	Acct. No.	Account Name				Reference/ Instructions
		Volume related expenses:				
1	610	Purchased water	1,488		3,569	Schedule II-3
2	615	Power Expense-production only	42,712		42,712	Schedule II-4
3	618	Other volume related expenses				Schedule II-5
4		Total volume related exp.	44,200	-	46,281	Add Lines 1-3
		Non-volume related expenses:				
5	601-1	Employee labor	151,295		151,295	Schedule II-6, Line 1
6	620	Materials	58,274		58,274	Schedule II-7
7	631-636	Contract work	7,704		7,704	Schedule II-8
8	650	Transportation expenses	31,156		31,156	Schedule II-9
9	664	Other plant maintenance	100		100	Schedule II-10
10		Total non-volume related exp.	248,529		248,529	Add Lines 5-9
		Admin. & general expenses:				
11	601-2	Office salaries	34,960		34,960	Schedule II-6, line 2
12	601-3	Mgmt. salaries	75,690		75,690	Schedule II-6, line 3
13	604	Employee pensions & benefits	500		500	Schedule II-11
14	615	Purchased power-Office only	42,712		42,712	Schedule II-4
15	670	Bad debt expense	3,821		3,821	Schedule II-12
16	676	Office services & rentals	30,000		30,000	Schedule II-13
17	677	Office supplies & expenses	36,307		36,307	Schedule II-14
18	678	Professional services	2,736		2,736	Schedule II-15
19	684	Insurance	12,276		12,276	Schedule II-16
20	666	Regulatory (rate case) expense	-		-	Schedule II-17
21	667	Regulatory expense (other)	10,182		10,182	Schedule II-18
22	675	Miscellaneous expenses	18,347		18,347	Schedule II-19
23		Total admin. & general expense	267,531		267,531	Add Lines 11-22
24		Total operating Expenses	560,260		562,341	Lines 4 + 10 + 23
25	403	Depreciation	79,409		79,409	Sch III-3, Col E, Line 50
26	408	Taxes Other than Income	20,838		20,838	Sch IV(b), Line 8
27	409/10	Income Tax Expense	-			Schedule V, Line 7
28		TOTAL EXPENSES	660,506.77		662,588.00	
29		TOTAL HISTORIC REVENUE	537,380			Sch I-2, Line 6
30		HISTORICAL TEST YEAR RETURN	(123,127)			Line 30 less Line 29
31		REQUESTED RETURN			59,262	Schedule III-1, Line 3
32		TOTAL REVENUE REQUIREMENT			721,850	Line 30 plus Line 34
33		REQUESTED ANNUAL REVENUE INCREASE		(to notice)	184,470	Line 32 less Line 29
34		PERCENTAGE INCREASE			2.7400	Line 36 divided by Line 33
35		LESS: OTHER REVENUES			31,660	Sch. II-3(b), Col. D, Line 8
36		Revenue for Rate Design		(to VI, line 1)	690,190	Line 33 minus Line 35

UTILITY NAME: <u>Texas Water Systems 12473</u> SCHEDULES - CLASS B RATE/TARIFF CHANGE I-1 REVENUE REQUIREMENT SUMMARY PUC Docket No. _____ Test Year End: <u>2016</u>						
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6	620	Materials	58,274		58,274	Schedule II-7
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14	615	Purchased power-Office only	42,712		42,712	Schedule II-4
15	670	Bad debt expense	3,821		3,821	Schedule II-12
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24		Total operating Expenses	560,260		562,341	Lines 4 + 10 + 23
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26	408	Taxes Other than Income	20,838		20,838	Sch IV(b), Line 8
27	409/10	Income Tax Expense	-		-	Schedule V, Line 7
28		TOTAL EXPENSES	677,827.77		679,909.00	
29		TOTAL HISTORIC REVENUE	537,380			Sch I-2, Line 6
30		HISTORICAL TEST YEAR RETURN	(140,448)			Line 30 less Line 29
31		REQUESTED RETURN			59,262	Schedule III-1, Line 3
32		TOTAL REVENUE REQUIREMENT			739,171	Line 30 plus Line 34
33		REQUESTED ANNUAL REVENUE INCREASE		(to notice)	201,791	Line 32 less Line 29
34		PERCENTAGE INCREASE			2.7400	Line 36 divided by Line 33
35		LESS: OTHER REVENUES			31,660	Sch. II-3(b), Col. D, Line 8
36		Revenue for Rate Design		(to VI, line 1)	707,511	Line 33 minus Line 35

CD ATTACHED

PLEASE SEE CENTRAL RECORDS

FOR ANY QUESTIONS

PLEASE CALL **CR** MAIN LINE

(512) 936-7180