



Control Number: 47289



Item Number: 9

Addendum StartPage: 0

Hubert-Watson Subdivision Water Supply, Inc
Response to Commission Staff's First Request for Information
Questions Staff 1-1 to Staff 1-2
Docket No. 47289

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AFFIDAVIT

Pursuant to the Texas Public Utility Commission of Texas's staff request for information from the Hubert-Watson Subdivision Water Supply Inc (HW) pertaining to that entity's filing request for ownership changes filed under Docket No. 47289, the following answers, information, and documentation are respectfully submitted.

Respondent is:

- Judith Watson Perkins, the Administrator of HW.

Respondent's Replies to Staff's Second Set of Questions

Staff 1-1

Please indicate whether any system upgrades/repairs/replacements are needed. If upgrades/repairs/replacements are needed, please provide an estimate of the total amount (in dollars) needed to complete the upgrades/repairs/replacements.

HW has no plans for system upgrades.

Currently, the system is operating normally with no imminent needs for repairs or replacements.

Staff 1-2

Please provide financials showing how the net losses indicated on the income statements provided with the original application are projected to be covered. If the shareholders will be covering the net losses, please provide financial documentation demonstrating the shareholders' ability to cover the losses. A confidential submission process is available for sensitive financial information.

In HW's original 47289 filing, Exhibit 17 page 56 "EOY 2016 Income Statement" showed a net operating loss of \$18,929 – Exhibit 1 to this RFI reply.

As discussed in previous correspondence, HW was granted a PUC rate increase, the first since 1988, effective January 1, 2017. Using estimated 2017 numbers, at the time of the 47289 filing, the forecasted net loss as of June 30, 2017 was shown in Exhibit 18, Page 57, as a loss of \$2,003 – Exhibit 2 to this RFI reply.

Attached as Exhibit 3 is HW's income statement as of July 31, 2017 showing good agreement with the initial estimate \$2,003 6/30/17 estimate with an actual loss of \$2,448 as of 7/31/17.

Please note, however, the entry for account 633 "Legal" in the amount of \$5,738 is expected to be non-recurring with finalization of the re-organization petitioned in 47289. Allowing for these onetime special legal costs, the "Adjusted" Net operating income, as of July 31,2017, would be a POSITIVE \$3,290.

Looking ahead, Exhibit 4 is a forecast for EOY 2017 using 7 months actual and 5 months estimated expenses. No further revenues for the last 6 months of the year are forecasted since this accounting is on a cash basis and billings for the last 6 months of 2017 will be in early January of 2018. EOY 2017 projection is for a shortfall of \$9,525 or, net of non-recurrent legal fees, a "loss" of \$3,787.

Continuing the projection to early 2018, with expected EOY billings of around \$11,000, the actual "bank" for HW will be around \$7,200.

HW's expectations are for the cash balance to grow to build cash reserves for future repairs and replacements.

Exhibit 5 is the balance sheet through 7/31/17.

You will notice changes made in Non-Operating Income between Exhibit 2 and the newer Exhibits 3 & 4. HW's bookkeeper classified the changes from the re-organization detailed in the original filing as non-operating income but, upon further review, HW's CPA decided such charges should be changed to paid in capital. HW apologizes for not being able to get a thorough CPA interpretation before the initial filing.

Since respondent became responsible for HW management in June 2016 many business practices have been modified. The entire HW organization is very proud of its recent accomplishments to improve and streamline billing, replace some inaccurate meters, and obtain its first water service rate increase since 1988. While the above referenced legal costs have masked the change to effectively a profit in 2017, the organization is "on plan" to continue to improve its finances as well as its operations.

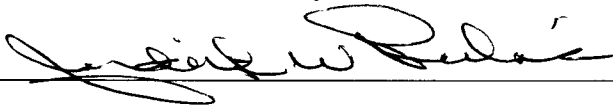
State of Texas

County of _____ Harris _____

SWORN to and SUBSCRIBED before me, the undersigned authority, on

the 5 day of September, 2017 year,

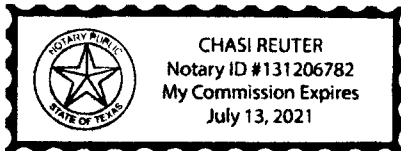
by



Judith Watson Perkins



Notary Public, State of Texas [Notary's signature.]



[Notary's seal must be included.]

Exhibit 1 RFI 1

Name of Utility: **Hubert-Watson Subdivision Water System, Inc**

EOY 2016 Income Statement Attachment 17

Line #		Water	Sewer	Total
		Report Year	Report Year	Report Year
	Report Calendar Year <u>2016</u>			
		A	B	C=A+B
1	Total Revenue:	\$9,621		\$9,621
	Operating Expenses:			
2	601 O & M Salaried Labor	\$0		\$0
3	604 Employee Benefits	\$0		\$0
4	631, 635, 636 O & M Contract labor	\$7,090		\$7,090
5	620 Operating/Maint Supplies	\$16,556		\$16,556
6	610 Purchased Water	\$0		\$0
7	615 Purchased Power	\$544		\$544
8	635 Testing Expense	\$1,477		\$1,477
9	618 Chemicals	\$463		\$463
10	656-659 Insurance	\$0		\$0
11	601 General Office Salaries	\$0		\$0
12	675 General Office Expenses	\$209		\$209
13	632 Contract Accounting	\$995		\$995
14	633 Legal	\$0		\$0
15	634 Management	\$0		\$0
16	666 Amortization- Rate Case Expens	\$0		\$0
17	403 Depreciation Expense	\$1,016		\$1,016
18	667-675 Other Misc. Expenses	\$200		\$200
	Taxes:	xxxx	xxxx	xxxx
19	409 Federal Income Taxes			\$0
20	409.0 State Franchise Taxes/Reg As			\$0
21	408 All Other Taxes			\$0
22	Total Expenses	\$28,550	\$0	\$28,550
23	Net Operating Income	-\$18,929	\$0	-\$18,929
24	421, 433 Non-Operating Income			\$0
	Non-Operating Deductions:			
25	426 Other			\$0
26	427 Interest			\$0
27	Net Income	-\$18,929	\$0	-\$18,929

Exhibit 2 RFI 2

Name of Utility: **Hubert-Watson Subdivision Water System, Inc.**

Estimated 06/30/17 Income Statement Attachment 18

Line #		Water 6 mo 2017	Sewer Not Applicable	Total 6 mo 2017
	Interim Report 2017 Through 6/30/17 Est			
		A	B	C=A+B
1	Total Revenue:	\$12,559		\$12,559
	Operating Expenses:			
2	601 O & M Salaried Labor	\$0		\$0
3	604 Employee Benefits	\$0		\$0
4	631, 635, 636 O & M Contract labor	\$1,980		\$1,980
5	620 Operating/Maint Supplies	\$3,332		\$3,332
6	610 Purchased Water	\$0		\$0
7	615 Purchased Power	\$304		\$304
8	635 Testing Expense	\$734		\$734
9	618 Chemicals	\$481		\$481
10	656-659 Insurance	\$0		\$0
11	601 General Office Salaries	\$0		\$0
12	675 General Office Expenses	\$194		\$194
13	632 Contract Accounting	\$680		\$680
14	633 Legal	\$5,738		\$5,738
15	634 Management	\$0		\$0
16	666 Amortization- Rate Case Expense	\$0		\$0
17	403 Depreciation Expense	\$508		\$508
18	667-675 Other Misc. Expenses	\$611		\$611
	Taxes:	xxxx	xxxx	xxxx
19	409 Federal Income Taxes			\$0
20	409.0 State Franchise Taxes/Reg Assess.			\$0
21	408 All Other Taxes			\$0
22	Total Expenses	\$14,562	\$0	\$14,562
23	Net Operating Income	-\$2,003	\$0	-\$2,003
24	419, 421, 433 Non-Operating Income	\$39,945		\$39,945
	Non-Operating Deductions:			
25	426 Other			\$0
26	427 Interest			\$0
27	Net Income	\$37,942	\$0	\$37,942

Footnotes to Estimated Financial Data:

- Changes in Non-Operating Income (419) result of Shareholder BWT's withdrawal and agreement among all shareholders and debt holders, which were one and the same to forgive debt to HWWS
- Legal fees are for shareholder BWT's withdrawal and general corporate re-organization

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Exhibit 3 RFI 1

Name of Utility: **Hubert-Watson Subdivision Water System, Inc**
07/31/17 Income Statement

Line #		Water 7 mo 2017	Sewer Not Applicable	Total 7 mo 2017
	Interim Report 2017 Through 7/31/17 Est			
		A	B	C=A+B
1	Total Revenue:	\$14,213		\$14,213
	Operating Expenses:			
2	601 O & M Salaried Labor	\$0		\$0
3	604 Employee Benefits	\$0		\$0
4	631, 635, 636 O & M Contract labor	\$2,720		\$2,720
5	620 Operating/Maint Supplies	\$3,722		\$3,722
6	610 Purchased Water	\$0		\$0
7	615 Purchased Power	\$397		\$397
8	635 Testing Expense	\$811		\$811
9	618 Chemicals	\$482		\$482
10	656-659 Insurance	\$0		\$0
11	601 General Office Salaries	\$0		\$0
12	675 General Office Expenses	\$294		\$294
13	632 Contract Accounting	\$730		\$730
14	633 Legal >	\$5,738		\$5,738
15	634 Management	\$0		\$0
16	666 Amortization- Rate Case Expense	\$0		\$0
17	403 Depreciation Expense	\$1,016		\$1,016
18	667-675 Other Misc. Expenses	\$751		\$751
	Taxes:	xxxx	xxxx	xxxx
19	409 Federal Income Taxes			\$0
20	409.0 State Franchise Taxes/Reg Assess.			\$0
21	408 All Other Taxes			\$0
22	Total Expenses	\$16,661	\$0	\$16,661
23	Net Operating Income	-\$2,448	\$0	-\$2,448
24	419, 421, 433 Non-Operating Income			\$0
	Non-Operating Deductions:			
25	426 Other			\$0
26	427 Interest			\$0
27	Net Income	-\$2,448	\$0	-\$2,448

Footnotes to Estimated Financial Data:

- 1 Changes in Non-Operating Income (419) because CPA booked as Paid In Capital
- 2 Legal fees are for shareholder BWT's withdrawal and general corporate re-organization

Exhibit 4 RFI 1

Name of Utility: **Hubert-Watson Subdivision Water System, Inc**
Est EOY 2017 Income Statement

Line #		Water Est 2017	Sewer Not Applicable	Total Est 2017
	Est EOY 2017, 7 mo Actual			
		A	B	C=A+B
1	Total Revenue: (see footnote 3)	\$14,213		\$14,213
	Operating Expenses:			
2	601 O & M Salaried Labor	\$0		\$0
3	604 Employee Benefits	\$0		\$0
4	631, 635, 636 O & M Contract labor	\$4,664		\$4,664
5	620 Operating/Maint Supplies	\$6,381		\$6,381
6	610 Purchased Water	\$0		\$0
7	615 Purchased Power	\$681		\$681
8	635 Testing Expense	\$1,390		\$1,390
9	618 Chemicals	\$825		\$825
10	656-659 Insurance	\$0		\$0
11	601 General Office Salaries	\$0		\$0
12	675 General Office Expenses	\$505		\$505
13	632 Contract Accounting	\$1,251		\$1,251
14	633 Legal	\$5,738		\$5,738
15	634 Management	\$0		\$0
16	666 Amortization- Rate Case Expense	\$0		\$0
17	403 Depreciation Expense	\$1,016		\$1,016
18	667-675 Other Misc. Expenses	\$1,287		\$1,287
	Taxes:	xxxx	xxxx	xxxx
19	409 Federal Income Taxes			\$0
20	409.0 State Franchise Taxes/Reg Assess.			\$0
21	408 All Other Taxes			\$0
22	Total Expenses	\$23,738	\$0	\$23,738
23	Net Operating Income	-\$9,525	\$0	-\$9,525
24	419, 421, 433 Non-Operating Income			\$0
	Non-Operating Deductions:			
25	426 Other			\$0
26	427 Interest			\$0
27	Net Income	-\$9,525	\$0	-\$9,525

Footnotes to Estimated Financial Data:

- Changes in Non-Operating Income (419) because CPA booked as Paid In Capital
- Legal fees are for shareholder BWT's withdrawal and general corporate re-organization
- Revenues include an accrual for estimated last 6 mo of year water billings out in 1/2018

Exhibit 5 RFI 1

Name of Utility: **Hubert-Watson Subdivision Water System, Inc**

Estimated 7/31/17 Balance Sheet

Line #	ASSETS	Est 07/31/2017	End of Year 12/31/2016
	<u>UTILITY PLANT</u>		
1	101 Utility Plant in Service	\$36,795	\$36,795
2	TOTAL UTILITY PLANT		
3	108 Less: Accumulated Amortization	\$1,589	\$1,589
4	110 Less: Accumulated Depreciation	\$34,232	\$33,216
5	NET UTILITY PLANT	\$974	\$1,990
6	<u>CURRENT ASSETS</u>	xxxx	xxxx
7	131-135 Cash	\$9,037	\$852
8	141-143 Accounts Receivable	\$2,126	\$1,650
9	151 Plant Materials and Supplies (not previously expensed)		
10	171-174 Other Current Assets		
11	TOTAL CURRENT ASSETS	\$11,163	\$2,502
12	<u>TOTAL ASSETS*</u>	<u>\$12,137</u>	<u>\$4,492</u>
	<u>LIABILITIES & EQUITY</u>		
	<u>EQUITY</u>		
13	201 Common Stock	\$1,200	\$1,200
14	211 Other paid in capital	\$77,483	\$25,008
15	215 Retained Earnings	-\$83,467	-\$64,538
16	218 Proprietary Capital	-\$2,448	-\$18,929
17	TOTAL STOCKHOLDERS' EQUITY	-\$7,232	-\$57,259
	<u>LONG-TERM DEBT</u>	xxxx	xxxx
18	224 Long-term debt (more than 1 year)	\$18,983	\$61,550
	<u>CURRENT LIABILITIES (less than 1 year)</u>	xxxx	xxxx
19	231 Accounts Payable	\$387	\$201
20	232 Notes Payable	\$0	\$0
21	241.0 Other Current Liabilities	\$0	\$0
	TOTAL CURRENT LIABILITIES	\$387	\$201
	<u>OTHER LIABILITIES and DEFERRED CREDITS</u>	xxxx	xxxx
22	253 Other Deferred Credits		
23	271-272 Net Contributions in Aid of Constructio		
24	TOTAL OTHER LIABILITIES and DEFERRED CREDITS		
25	<u>TOTAL LIABILITIES & EQUITY*</u>	<u>\$12,138</u>	<u>\$4,492</u>

Footnotes to Estimated Financial Data:

- 1 Changes in Retained Earnings (215) and (224) Long Term Debt result of Shareholder BWT's withdrawal and agreement among all shareholders and debt holders, which were one and the same
- 2 Accounts receivable (142) are estimated for semi-annual billing for Jan-Jun water connections and gallonage which will be billed in July
- 3 Account receivable are greater than in the past because of recently approve PUC rate increase