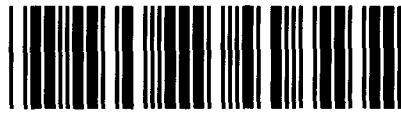




Control Number: 48323



Item Number: 7

Addendum StartPage: 0

DOCKET NO. 48323

APPLICATION OF
QUADVEST L.P. FOR A
MINOR TARIFF CHANGE

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PUBLIC UTILITY COMMISSION

OF TEXAS

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**QUADVEST, L.P.'S RESPONSE TO COMMISSION STAFF'S FIRST REQUEST
FOR INFORMATION TO QUADVEST QUESTION NOS. STAFF 1-1 TO 1-7**

To: Commission Staff by and through their attorneys of record, Margaret Uhlig Pemberton, Katherine Lengieza, and Joshua Adam Barron, Public Utility Commission of Texas, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326.

COMES NOW, Quadvest, L.P. ("Quadvest"), by and through their attorney of record, file this response to Commission Staff's RFI 1-1 to 1-7. Quadvest stipulates pursuant to PUC Procedural Rule 22.144(c)(F) that the following response to request for information may be treated by all parties as if the answers were filed under oath.

Respectfully submitted,

By: 

Jeff Eastman, CFO
Quadvest LP

PUBLIC UTILITY COMMISSION OF TEXAS

Docket No. 48323

Question Nos. Staff 1-1 TO 1-7

COMPANY NAME: Quadvest, L.P.

DATE DUE: 07/06/18

INFORMATION REQUESTED:

Staff 1-1 Provide a copy of Quadvest, L.P.'s 2018 budget and any amendments to date to the budget.

REQUESTED BY: Public Utility Commission of Texas

RESPONSE:

Quadvest has provided its 2018 fiscal year budget and supporting schedules in excel format, noting Quadvest prepares a detailed budget for its income statement but not for its balance sheet, see attached "Staff 1-1 Quadvest Budget 2018". There are currently no changes or amendments to this budget. CONFIDENTIAL

SUPPORTING WITNESS:

Jeff Eastman

Staff 1-2 Provide all calculations and workpapers used to derive Exhibit A. Please provide the Microsoft Excel electronic version of this and all previous filings in the Tariff Control number 48323.

REQUESTED BY: Public Utility Commission of Texas

RESPONSE:

Quadvest has provided Exhibit A in excel format, see attached “Staff 1-2 Exhibit A – Quadvest Federal Tax Change Credit Rider (FTCCR) Fixed Rate Adjustment”.
CONFIDENTIAL.

SUPPORTING WITNESS:

Jeff Eastman

Staff 1-3 Provide updated financial statements including the income statement and balance sheet with budget comparisons for the most current month and year to date in 2018.

REQUESTED BY: Public Utility Commission of Texas

RESPONSE:

Quadvest has provided income statement budget to actual variance for May 2018 and year to date through May 2018 in pdf format, see attached "Staff 1-3 Quadvest Bud to Act P&L 2018_YTD & May 2018". Quadvest does not perform budget to actual comparison on its balance sheet. CONFIDENTIAL

SUPPORTING WITNESS:

Jeff Eastman

Staff 1-4 Provide any analysis of budget variances from actual available for the most current month and year to date in 2018 with explanations, where appropriate.

REQUESTED BY: Public Utility Commission of Texas

RESPONSE:

Quadvest's high level analysis of YTD actual vs budgeted income statement is as follows:

- Actual total income is approximately 2% higher than budget, noting the positive deviation is mostly contributable to higher than expected tap fees. Actual tap fees tend to be slightly higher in the second quarter yet for budgeting purposes total anticipated tap fees are spread evenly over the entire year.
- Actual total gross profit is approximately 3% higher than budget, noting the positive deviation is mostly contributable to slightly higher income (2%) as cost of production was in line with budget.
- Actual total other operating expenses (G&A) is approximately 3% lower than budget, noting the positive deviation is mostly contributable to lower legal fees, payroll, and bad debt. The positive variances on legal and bad debt appear to be timing in nature.
- Actual net income is within \$600 of budget.

Quadvest's high level analysis of May2018 actual vs budgeted income statement is as follows:

- Actual total income is approximately 2% higher than budget, noting the positive deviation is mostly contributable to higher than expected tap fees. Actual tap fees tend to be higher in May yet for budgeting purposes total anticipated tap fees are spread evenly over the year.
- Actual total gross profit is approximately 4% lower than budget, noting the negative deviation is mostly contributable to higher payroll and repair and maintenance costs, which can fluctuate monthly as a result of unplanned repairs and maintenance, etc.
- Actual total other operating expenses (G&A) is approximately 4% lower than budget, noting the positive deviation is mostly contributable lower professional fees. The positive variances in professional fees appear to be timing in nature.
- Actual net income was \$43,000 lower than budget, noting the negative deviation is mostly contributable to regulatory fees, which is mainly timing in nature.

In conclusion, immaterial difference between actuals and budget thru May 2018 at both the revenue and net income level.

SUPPORTING WITNESS:

Jeff Eastman

Staff 1-5 Provide a year to date customer count by connection size by meter size, water meters, and sewer customer count with detail as to the "other classification".

REQUESTED BY: Public Utility Commission of Texas

RESPONSE:

Quadvest has provided its May 2018 actual customer count by meter size for both water and sewer customers in excel format, see attached "Staff 1-5 May 2018 Customer Count By Meter Size"

SUPPORTING WITNESS:

Jeff Eastman

Staff 1-6 Provide an explanation with calculations for why the 5/8" customer rate changes for the "other" category as described in the filing on page 2, item number 1.

REQUESTED BY: Public Utility Commission of Texas

RESPONSE:

Westside Water, Caddo Village, and HMW ("Other" tariff divisions) are not consolidated under Quadvest's main tariff. These tariff divisions have different customer rates and as a result contribute little to the overall net income of Quadvest. In an attempt to better align tax credits with the customers driving total net income (i.e. driver of income tax expense), these tariff divisions were consolidated into a separate group for credit rider calculation purposes. Quadvest used a similar approach in using net income contribution by water and sewer customer to allocate respective tax credit between service lines. Please review the "2018 FTCCR – Budget" tab included in "Staff 1-2 Exhibit A..." attachment for clarification on how net income contribution was calculated by both water/sewer customers and also by Quadvest/"Other" tariff customers.

SUPPORTING WITNESS:

Jeff Eastman

Staff 1-7 Provide an updated Exhibit A with any budget amendments or material variances considered.

REQUESTED BY: Public Utility Commission of Texas

RESPONSE:

Based upon the budget to actual analysis/comments provided in Staff 1-4 response above, a change to Quadvest's current budget does not appear warranted at this time. Furthermore, the water industry is cyclical in nature and as a result Quadvest's financial performance is highly dependent upon the results of operations between the months of June and September, therefore any budget changes now would be premature and speculative in nature. Finally, Quadvest stands by it originally submitted Exhibit A based upon the above analysis and rationale.

SUPPORTING WITNESS:

Jeff Eastman

The foregoing response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Requestor if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information request.

Signature of Company Representative

/s/ Jeff Eastman

Date Provided: 06/29/18