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DOCKET NO. 50197
SOAH DOCKET NO. 473-21-2237

APPLICATION OF TIMBERCREST	§	PUBLIC UTILITY COMMISSION
PARTNERS LLC FOR AUTHORITY	§	
TO CHANGE RATES	§	OF TEXAS

TIMBERCREST PARTNERS LLC’S LIST OF ISSUES

COMES NOW, Timbercrest Partners, LLC (“TCP”), and timely files this List of Issues in accordance with the Commission’s Order of Referral and in support thereof, respectfully shows as follows:

I. Issues to be Addressed

1. Did the utility provide proper notice of the proposed rate change to each customer or other interested party as required by TWC § 13.1871(b) and (c) and 16 TAC§ 24.27?
2. What is the appropriate methodology to determine just and reasonable rates in this proceeding?
3. What revenue requirement will give the utility a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses while preserving the utility's financial integrity as required by TWC § 13.183(a)(1) and (2) and 16 TAC§ 24.43(a)?
4. What is the reasonable and necessary cost of providing service consistent with 16 TAC§ 24.41?
5. What adjustments, if any, should be made to the utility's proposed test-year data in accordance with TWC § 13.185(d)(1) and 16 TAC§ 24.41(b) and (c)(5)?

Allowable Expenses

6. What are the utility's reasonable and necessary operations and maintenance expenses under 16 TAC§ 24.41(b)(1)(A)?
7. What are the utility's reasonable and necessary administrative and general expenses?
8. What is the reasonable and necessary depreciation expense? For each class of property, what are the proper and adequate depreciation rates (including service lives and salvage values) and methods of depreciation in accordance with TWC § 13.185(i) and 16 TAC§ 24.41(b)(1)(B)?
9. Are any tax savings derived from liberalized depreciation and amortization, investment tax credits, or similar methods? If so, are such tax savings apportioned equitably between

customers and the utility, and are the interests of present and future customers equitably balanced?

10. What is the reasonable and necessary amount for the utility's advertising expense, contributions, and donations under 16 TAC § 24.41(b)(1)(F)?
11. Are any expenses, including but not limited to, executive salaries, advertising expenses, rate-case expenses, legal expenses, penalties and interest on overdue taxes, criminal penalties or fines, and civil penalties or fines, unreasonable, unnecessary, or not in the public interest in violation of TWC § 13.185(h)(3) and 16 TAC§ 24.41(b)(2)(I)?
12. What are the utility's reasonable and necessary expenses, if any, for pension and other post-employment benefits?
13. What is the reasonable and necessary amount for the utility's federal income tax expense under TWC § 13.185(f) and 16 TAC§ 24.41(b)(1)(D)?
 - a. Is the utility a member of an affiliated group that is eligible to file a consolidated income tax return under TWC § 13.185(t)?
 - b. If so, have income taxes been computed as though a consolidated return had been filed and the utility had realized its fair share of the savings resulting from the consolidated return as required by TWC § 13.185(f)?
 - c. If not, has the utility demonstrated that it was reasonable not to consolidate returns consistent with TWC § 13.185(t)?

Rate Base and Return

14. What is the appropriate debt-to-equity capital structure for the utility?
15. What is the appropriate weighted cost of capital (also called the overall rate of return). including return on equity and cost of debt for the utility, consistent with 16 TAC§ 24.41(c)(I)?
16. Does the utility have any debt? If so, what is the cost of that debt?
17. What are the reasonable and necessary components of the utility's invested capital in accordance with 16 TAC§ 24.41(c)(2)?
 - a. Is the invested capital allocated from the utility's affiliates, if any, used and useful in providing service to the utility's customers?
18. What is the original cost of the property used and useful in providing water service to the public at the time the property was dedicated to public use under TWC § 13.185(b) and 16 TAC

§ 24.41(c)(2)(A) and (B)? What is the amount, if any, of accumulated depreciation on such property?

19. What is the amount for an allowance for funds used during construction, if any, that is being transferred to invested capital in this proceeding? If such amounts are being transferred, for what facilities and at what rate did the allowance for funds used during construction accrue?
20. Is the utility seeking inclusion of construction work in progress in accordance with TWC § 13.185(b) and 16 TAC§ 24.41(c)(4)? If so, what is the amount sought and for what facilities? Additionally, has the utility proven that the inclusion is necessary to the financial integrity of the utility and that major projects under construction have been efficiently and prudently planned and managed?
21. What is the reasonable and necessary working capital allowance for the utility under 16 TAC§ 24.41(c)(2)(C)?
22. Does the utility have any water- or sewer-utility property that was acquired from an affiliate or a developer before September 1, 1976? If so, has such property been included by the utility in its rate base, and has it been included in all ratemaking formulas at the actual cost of the property rather than the price set between the entities as required by TWC § 13.185(i)?
23. Has the utility acquired any water property from an affiliate? If so, do the payments, including any interest, for that property meet the requirements of TWC § 13.185(e)?
24. Has the utility financed any of its plant with developer contributions under TWC § 13.185(j) and 16 TAC § 24.41(b)(1)(8)? What is the amount, if any, of accumulated depreciation on that property?
25. Has the utility included any customer contributions or donations in invested capital consistent with TWC § 13.185(j) and 16 TAC§ 24.41(c)(2)(B)(v)? If so, what is the amount of those customer contributions or donations?
26. What is the reasonable and necessary amount, if any, for assessment and taxes other than federal income taxes under 16 TAC § 24.41(b)(1)(C)?
27. What is the reasonable and necessary amount of the utility's accumulated reserve for deferred federal income taxes, unamortized investment tax credits, contingency reserves, property insurance reserves, contributions in aid of construction, customer deposits, and other sources of cost-free capital? What other items should be deducted from the utility's rate base?
28. What regulatory assets, if any, are appropriately included in the utility's rate base? If such assets are included in rate base, what is the appropriate treatment of such assets?

Affiliate Issues

29. Has the utility made any payments to affiliates?
 - a. For affiliate transactions that affect the cost of service, are these transactions reasonable and necessary under TWC § 13.185(e)?
 - b. For all affiliated transactions affecting the cost of service, what are the costs to the affiliate of each item or class of items in question, and is the price for each transaction no higher than prices charged by the supplying affiliate to its other affiliates or divisions for the same item or items, or to unaffiliated persons or corporations consistent with TWC § 13.185(e)?
30. Is the method used to allocate costs attributable to the utility's affiliates appropriate and in accordance with the TWC?
 - a. Are all the allocated costs attributable to the utility's affiliates reasonable and necessary to provide service to the utility's customers?

Allocation and Rate Design

31. Is the utility seeking rates for both water and sewer service? If so, is each component of cost of service (each allowable expense and all return on invested capital) properly allocated between water and sewer services?
32. What is the appropriate allocation of costs and revenues among the utility's rate classes?
33. What is the appropriate rate design for each rate class consistent with 16 TAC§ 24.43?
34. In designing rates, should the utility use the current number of connections as of the date of the application as opposed to using the number of test-year-end connections?

Rates and Tariffs

35. What are the just and reasonable rates for the utility that are sufficient, equitable, and consistent in application to each customer class and that are not unreasonably preferential, prejudicial, or discriminatory under TWC § 13.182 and 13.1871(0) and 16 TAC§ 24.35(d)? Do these rates recover the utility's revenue requirement?
36. Are the utility's proposed revisions to its tariffs and rate schedules appropriate?
37. What is the appropriate effective date of the rates fixed by the Commission in this proceeding under TWC § 13.1871?
38. If a refund or surcharge results from this proceeding, how and over what period of time should the refund or surcharge be made consistent with TWC § 13.1871?

Rate Case Expenses

39. What are the utility's expenses incurred in this rate proceeding that are just, reasonable, necessary, and in the public interest under 16 TAC§ 24.44? Does that amount include any prospective rate-case expenses to be incurred after the Commission's final order? Should the utility be able to recover its reasonable and necessary rate-case expenses from ratepayers? If so, how should such expenses, if any, be recovered by the utility?

Additional Issues

40. Did the utility properly account for the effects of the Tax Cuts and Jobs Act of 2017? *Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018*, Pub. L. No. 115-97, 131 Stat. 2054 (Dec. 22, 2017).

This list of issues is not intended to be exhaustive. Timbercrest reserves the right to raise and address any issues relevant in this docket that they deem necessary, subject to any limitations imposed by the ALJ, or by the Commission in future orders issued in this docket.

Respectfully submitted,

Shea & Associates, LLC

By: /s/ Tammy Shea

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**ATTORNEYS FOR TIMBERCREST
PARTNERS, LLC**

**CERTIFICATE OF
SERVICE**

I hereby certify that a copy of this document will be served on all parties of record on May 14, 2021 in accordance with 16 TAC § 22.74 and the Commission's Orders regarding electronic service..

/s/ Tammy Shea
Tammy Shea