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PUBLIC UTILITY COMMISSION
FILING CLERK

APPLICATION OF CRYSTAL CLEAR § PUBLIC UTILITY COMMISSION
WATER, INC. FOR AUTHORITY TO § OF TEXAS
CHANGE RATES §

COMMISSION STAFF'S PROPOSED LIST OF ISSUES

COMES NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files this Proposed List of Issues in response to the Order of Referral. In support thereof, Staff shows the following:

I. BACKGROUND

On April 8, 2020, Crystal Clear Water, Inc. (Crystal Clear) filed a Class C Rate Change Application with the Commission for service provided in Bosque County under Certificate of Convenience and Necessity (CCN) No. 12997.

On December 30, 2020, the Commission issued an Order of Referral requiring the parties to file a list of issues to be addressed in this docket by January 12, 2021. Therefore, this pleading is timely filed.

II. PROPOSED LIST OF ISSUES

Staff has identified the following issues to be addressed in this docket:

Identification

1. What is the legal name and all assumed names, if any, of the utility seeking a rate increase in this proceeding? If the utility has an assumed name, provide a currently valid certificate of assumed names.
2. What is the business form of the utility (e.g., corporation, partnership, sole proprietorship)? What is the charter or authorization number, the date the business was formed, and the dates any changes were made?

Notice

3. Did the utility provide proper notice of the proposed rate change? Texas Water Code (TWC) § 13.1871(b), (c); 16 TAC § 24.27?

Revenue requirement

4. 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? TWC § 13.183(a)(1); 16 TAC § 24.43(a).
5. Will that revenue requirement preserve the utility's financial integrity? If not, what revenue requirement is required to preserve the utility's financial integrity? TWC § 13.183(a)(2); 16 TAC § 24.43(a)

Rates and tariff

6. What are the just and reasonable rates for the utility that recover the utility's revenue requirement? Are the rates sufficient, equitable, and consistent in application to each customer class? Are the rates unreasonably preferential, prejudicial, or discriminatory? TWC § 13.182.
7. Are the utility's proposed revisions to its tariffs and rate schedules appropriate?
8. What is the appropriate effective date of the rates fixed by the Commission in this proceeding? TWC § 13.1871.
9. If a refund or surcharge results from this proceeding, how and over what period of time should the refund or surcharge be made? TWC § 13.1871.

Cost of Service

10. What is the reasonable and necessary cost of providing service? 16 TAC § 24.41

Allowable Expenses

11. What are the utility's allowable expenses for the test year? What known and measurable changes to the test year expenses are appropriate? 16 TAC § 24.41(b).
 - a. What are the utility's reasonable and necessary operations and maintenance expenses? 16 TAC § 24.41(b)(1)(A).
 - b. What is the reasonable and necessary depreciation expense? Does this expense use appropriate depreciation rates, service lives, salvage values, and methods of depreciation? TWC § 13.185(j); 16 TAC § 24.41(b)(1)(B)?

- i. Does this expense include any amount for property provided by explicit customer agreements or customer contributions? If so, what is that amount
 - ii. Does this expense include any amount for property provided by a developer or government entity? If so, what is the amount?
- c. What is the reasonable and necessary amount, if any, for assessment and taxes other than federal income taxes? How much of this amount, if any, is for municipal franchise fees? 16 TAC § 24.41(b)(1)(C).
- d. What is the reasonable and necessary amount for the utility's federal income tax expense? TWC § 13.185(O; 16 TAC § 24.41(b)(1)(D).
- e. What is the reasonable and necessary amount for the utility's advertising expense, contributions, and donations? 16 TAC § 24.41(b)(1)(F).
- f. Has the utility included any expenses that are not allowed? 16 TAC § 24.41(b)(2).

Rate base

- 12. Has the utility made any payments to affiliates for allowable expenses? If so, are those payments reasonable and necessary, including whether the costs of the affiliate were properly assigned to the utility? 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? TWC § 13.185(e)?
- 13. What is the appropriate rate of return for the utility? 16 TAC § 24.41(c)(1).
- 14. What is the appropriate rate base for the utility?
 - a. What is the appropriate amount to include in the utility's rate base for property used and useful in providing water service to the public?
 - i. 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? TWC § 13.185(b); 16 TAC § 24.41(c)(2)(A), (B).
 - ii. Has any water-utility property that was acquired from an affiliate or a developer before September 1, 1976 been included in the utility's rate base? If so, was the property appropriately included at the actual cost of the property rather than the price set between the entities? TWC § 13.185(i).

- iii. Has the utility improperly included any property funded under customer agreements or by customer contributions? If so, what is the amount? 16 TAC § 24.41(c)(2)(B)(iv)
 - iv. What is the amount, if any, of accumulated depreciation on such property? 16 TAC § 24.41(c)(2)(B)(iii).
 - v. If the utility financed any of its property with developer contributions under, what is the amount, if any, of accumulated depreciation on that property?
 - vi. Is the utility requesting inclusion in rate base property acquired from an affiliate? If so, is payment to the affiliate reasonable and necessary? 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? TWC §13.185(e).
 - vii. Is the utility requesting inclusion in rate base property acquired or constructed since its last rate case? If so, please identify such property.
 - viii. Is the utility requesting inclusion in rate base of any intangible property? If so, has the utility demonstrated such property may be included in rate base? 16 TAC § 24.41(f).
- b. What is the reasonable and necessary working capital allowance for the utility? 16 TAC § 24.41(c)(2)(C).
 - c. 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? 16 TAC § 24.41(c)(3).
 - i. Have these amounts been appropriately deducted from the utility's rate base?
 - ii. What other items, if any, should be deducted from the utility's rate base?
 - d. Has the utility requested the inclusion of construction work in progress in rate base? 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? 16 TAC § 24.41(c)(4).

15. Is the utility proposing any post-test-year adjustments to rate base? 16 TAC § 24.41(c)(5).
- Is the adjustment known and measurable?
 - Is the plant properly recorded in National Association of Regulatory Utility Commissioners' uniform system of accounts, account number 101 or 102?
 - Is the addition at least 10% of the requested rate base?
 - Have all attendant impacts been accounted for in calculating the utility's cost of service?
16. Has the utility properly accounted for any positive or negative acquisition adjustment? 16 TAC § 24.41(d), (e).
17. Does the utility have any debt? If so, what is the cost of that debt?
18. What is the appropriate debt-to-equity capital structure of the utility?
19. 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?

Allocation

20. For shared services utilized by both the homeowners association and the utility, were the utility costs and revenues properly identified and allocated?
21. What is the appropriate allocation of costs and revenues among the utility's rate classes?
22. What is the appropriate rate design for each rate class? Do the rates properly reflect fixed and variable costs? 16 TAC § 24.43.
23. 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 connections at the end of the test year?

Rate-case expenses

24. What are the utility's expenses incurred in this rate proceeding that are just, reasonable, necessary, and in the public interest? 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? 16 TAC § 24.44.

This list of issues is not intended to be exhaustive. The Commission may identify and provide to the ALJ in the future any additional issues or areas that must be addressed, as permitted under Tex. Gov't Code Ann. § 2003.049(e).

III. ISSUES NOT TO BE ADDRESSED

Staff has not identified any issues not to be addressed in this proceeding.

IV. CONCLUSION

Staff respectfully requests that its list of issues be among the issues considered by the Commission in this proceeding.

Dated: January 12, 2021

Respectfully submitted,
**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on January 12, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Rustin Tawater

Rustin Tawater