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COMMISSION

APPLICATION OF CRYSTAL CLEAR § BEFORE THE STATE OFFICE
WATER, INC. FOR AUTHORITY TO § OF
CHANGE RATES § ADMINISTRATIVE HEARINGS

**CRYSTAL CLEAR WATER, INC.'S RESPONSE TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

To: Public Utility Commission of Texas (Commission), by and through its attorney of record,
Rustin Tawater, Legal Division, 1701 N. Congress Avenue, P.O. Box 13326, Austin,
Texas 78701.

COMES NOW, Crystal Clear Water, Inc. ("CCWI"), by and through its undersigned
attorneys of record, files its Response to Public Utility Commission Staff's First Request for
Information ("RFI"). This response is timely filed. Pursuant to 16 Tex. Admin. Code ("TAC")
§ 22.144(c)(2)(F), CCWI agrees and stipulates that all parties may treat the responses as if the
answers were filed under oath.

Respectfully submitted,

**LLOYD GOSSELINK ROCHELLE &
TOWNSEND, P.C.**

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**ATTORNEYS FOR CRYSTAL CLEAR
WATER, INC.**

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 April 15, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.



David J. Klein

**CCWI'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-1 Please provide the test-year metered water usage for each system separately.

RESPONSE: Please see attached CCWI Exhibit 1-1, containing the test year metered water usage for each water system. In such Exhibit, the rows under the "Parts" Section correspond to the following water systems:

- AP WATER (WATER USAGE) is for the water system serving Airport, PWS ID No. 0180081;
- Glenn Shores (Water Usage) is for the water system serving Glenshores, PWS ID No. 0180030;
- L L Water (Water Usage) is for the water system serving Lakeline Acres, PWS ID No. 0180025; and.
- Whispering Ridge Usage (Water Usage) is for the water system serving Whispering Ridge, PWS ID No. 0180032.

Additionally, for such rows within that "Parts" Section, the numbers in column "QTY" represent the quantity of water sold in gallons.

Prepared by: Robert Payne, President of CCWI
Sponsored by: Robert Payne, President of CCWI

**CCWI'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

- Staff 1-2** Please confirm you are requesting a Weighted Average Rate (Column F) for Equity (Line 5) of 12%, resulting in a Return on Equity of 24%.
- a) If confirmed, please provide a full explanation and justification.
 - b) If denied, please amend the application to state the requested Return on Equity and subsequent Weighted Average for Equity. Please provide a full explanation and justification of the amended requested Return on Equity and subsequent Weighted Average for Equity.

RESPONSE: CCWI understands that in Schedule III-1 a Weighted Average Rate for Equity (Column F, Line 5) of 12.00%, in light of the remainder of its Application, would result in a Return on Equity (Column D, Line 5) of 24.00%. However, CCWI does not contend that it is seeking a Weighted Average Rate for Equity (Column F, Line 5) of 12.00%.

Rather, CCWI has become aware that the Application, as filed, contains a typographical error. Specifically, on Schedule III-1, CCWI, through its rate consultant, mistakenly typed in "12.00%" in Weighted Average Rate for Equity (Column F, Line 5), instead of inserting "12.00%" in Return on Equity (Column D, Line 5). The results of typing "12.00%" in Return on Equity (Column D, Line 5), are: (1) the Weighted Average Rate for Equity (Column F, Line 5) of "12.00%" should be replaced with "6.00%," and (2) the Overall Rate of Return (Column F, Line 7) of "15.00%" should be replaced with "9.00%." CCWI hereby amends the Application to reflect the changes to Return on Equity (Column D, Line 5); Weighted Average Rate for Equity (Column F, Line 5); and Overall Rate of Return (Column F, Line 7), as contemplated in this paragraph.

The proposed Weighted Average Rate for Equity and Return on Equity are justified because they afford CCWI a reasonable opportunity to earn a reasonable return. Further, these percentages are generally consistent with the Commission's Rate of Return Report, available at https://www.puc.texas.gov/industry/water/reports/rates/ROR_Report.pdf. CCWI is a small, Class D investor-owned utility (only 230 taps) that is a sole proprietorship, unaffiliated with a larger corporate entity, and without access to capital markets. Mr. Payne's main occupation is a farmer and he has been personally absorbing some of the costs to operate and maintain CCWI for many years. CCWI has also not changed its rates for many years, causing it to operate at a loss. As shown in Schedule I-1, CCWI's historical test year return was -\$23,492. In Schedule VII-3, based upon calculations using the Overall Rate of Return stated in paragraph 2 above (9.00%), CCWI under-recovered in the test year by \$139,927.39 or 60% of under recovery. Because CCWI is a small entity there is no way for it to spread the risk. Mr. Payne had to personally loan CCWI funds to support its operations. CCWI also requires

**CCWI'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

infrastructure improvements to address Texas Commission on Environmental Quality regulations and provide its customers with an improved quality of water service. CCWI knows that additional improvements will be necessary, and this increased revenue will likely be used as funding for such purposes; improvements above and beyond the additional Known & Measurable costs listed on Schedule II-5. Lastly, the rates for Lakeline Acres and Glenshores have not changed since 1991 while Airport and Whispering Ridge have not changed since 2008 so CCWI has had very limited capital to operate and maintain its water systems much less make infrastructure improvements.

Prepared by: Robert Payne, President of CCWI
Sponsored by: Robert Payne, President of CCWI

**CCWI'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-3 Please provide all resources, references, and justification that support a 15% Overall Rate of Return (Column F, Line 7).

RESPONSE: CCWI does not have any resources, references, or justification that support a 15% Overall Rate of Return.

Prepared by: Robert Payne, President of CCWI
Sponsored by: Robert Payne, President of CCWI

7:48 AM

04/13/21

Accrual Basis

Crystal Clear Water Inc.
Sales by Item Summary
 January through December 2019

	Jan - Dec 19			
	Qty	Amount	% of Sales	Avg Price
Parts				
A P WATER (WATER USAGE)	4,284,330	30,352.98	30.0%	0.01
Glenn Shores (Water Usage)	698,281	8,888.00	8.8%	0.01
L L Water (Water Usage)	3,623,840	30,088.17	29.8%	0.01
Supplies (Supplies)	1	380.40	0.4%	380.40
Whispering Ridge Usage (Water Usage)	5,220,286	27,397.23	27.1%	0.01
Total Parts	13,826,738.00	97,106.78	96.1%	0.01
Service				
EQUIPMENT RENTAL (EQUIPMENT RENTAL Income)	1	450.00	0.4%	450.00
Labor (Labor)	1	700.00	0.7%	700.00
Late Charge (Late Charge)	360	1,800.00	1.8%	5.00
Turn Off Fee (Turn Off / Turn On Fee)	13	525.00	0.5%	40.38
Total Service	375.00	3,475.00	3.4%	9.27
Other Charges				
Deposit (Deposit)	4	200.00	0.2%	50.00
Returned Check Fee (Returned Check Fee)	2	50.00	0.0%	25.00
Transfer Fee (Transfer Fee)	9	210.00	0.2%	23.33
Total Other Charges	15.00	460.00	0.5%	30.67
TOTAL	13,827,128	101,041.78	100.0%	0.01