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**SOAH DOCKET NO. 473-20-4071.WS
PUC DOCKET NO. 50788**

RATEPAYERS APPEAL OF THE DECISION BY WINDERMERE OAKS WATER SUPPLY CORPORATION TO CHANGE WATER AND SEWER RATES	§ § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS
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**WINDERMERE OAKS WATER SUPPLY CORPORATION SUPPLEMENTAL
RESPONSE TO COMMISSION STAFF’S FIRST REQUEST FOR INFORMATION**

Windermere Oaks Water Supply Corporation (WOWSC) files this Supplemental Response to the First Request for Information (RFI) filed by the Staff of the Public Utility Commission of Texas (Staff). The discovery request was received by WOWSC on October 16, 2020; therefore, these responses are timely filed. Pursuant to 16 Tex. Admin. Code (TAC) § 22.144(c)(2)(F), these responses may be treated as if they were filed under oath.

WOWSC files this Supplemental Response to Commission Staff’s First RFI Nos. 1-1, 1-2, 1-4, 1-5, 1-11, 1-17, and 1-25.

Respectfully submitted,

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

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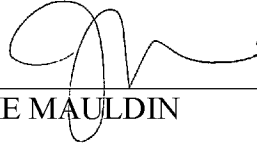
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**ATTORNEYS FOR WINDERMERE OAKS
WATER SUPPLY CORPORATION**

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 March 10, 2023, in accordance with the Order Suspending Rules, issued in Project No. 50664.



JAMIE MAULDIN

SOAH DOCKET NO. 473-20-4071.WS
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WOWSC'S SUPPLEMENTAL RESPONSE TO STAFF'S FIRST RFI

STAFF 1-1: Staff 1-1 Please admit or deny that Windermere completed a cost of service study before voting to adopt the water and sewer rate increases that are the subject of this appeal. If admit, please produce a copy of the cost of service study or identify a previous RFI response that contains the study responsive to this request.

RESPONSE: Admit. See Attachment Staff 1-1.

The rate increase effective March 23, 2020 was based largely on Texas Rural Water Association (TRWA) employee James Smith's analysis, completed in early 2020 and used 2019 year-end financials. The 2019 Rate Study/Rate Analysis completed by TRWA employee James Smith included one analysis for both water and wastewater.

WOWSC also reviewed the 2020 budget, which identified a \$174,515 shortfall due to the increase in legal fees. See Attachment Staff 8-5. It subsequently adjusted the TRWA-recommended rates and ultimately adopted rates lower than the TRWA-recommended rates.

Prepared by: Mike Nelson
Sponsored by: Mike Nelson

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DOCKET NO. 50788

WOWSC'S SUPPLEMENTAL RESPONSE TO STAFF'S FIRST RFI

STAFF 1-2: Please state the methodology Windermere used to establish the water and sewer revenue requirements that were used to calculate the rates that are the subject of this appeal. In your response, please specify whether Windermere used the utility method or cash needs method, if applicable.

RESPONSE: TRWA employee James Smith used TRWA's rate sheet to calculate WOWSC's water and sewer revenue requirements. TRWA's rate sheet uses the cash needs basis methodology.

WOWSC also reviewed the 2020 budget, which identified a \$174,515 shortfall due to the increase in legal fees. See Attachment Staff 8-5. It subsequently adjusted the TRWA-recommended rates and ultimately adopted rates lower than the TRWA-recommended rates.

Prepared by: Joe Gimenez
Sponsored by: Joe Gimenez

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DOCKET NO. 50788**

WOWSC’S SUPPLEMENTAL RESPONSE TO STAFF’S FIRST RFI

STAFF 1-4: Staff 1-4 Please describe in detail the calculations used to determine the water rates that are the subject of this appeal. Provide the water usage and tiers, if applicable, used to determine each tiered gallonage rate.

RESPONSE: WOWSC worked with the TRWA’s employee, James Smith to determine the rates. Mr. Smith used TRWA’s software to calculate its base rate. WOWSC’s water system serves about 180 homes but also about 70 hangars in a nearby local small airport. The hangars require very minimal water and sewer service because they do not have showers, lawns, etc., but they do require service. Our water usage is tiered so as to provide ‘fairness’ in very low rates for the first 2,000 gallons of water used.

Below is a chart with WOWSC’s rates.

Standard Residential Service Rates

Monthly Minimum Water & Sewer:	\$156.80 plus Tax
Tier (gal.):	Water\$ + Sewer\$ per added 1,000 gal:
0 - 2,000	\$3.55 + \$3.94
2,001-4,000	\$6.50 + \$3.94
4,001 - 8,000	\$9.75 + \$3.94
8,001 - 10,000	\$13.00 + \$3.94
10,001-15,000	\$13.00
15,001 +	\$15.00

The TRWA model calculated rates with WOWSC’s 2019 actual financials. For WOWSC’s 2019 actual financials, see Attachment Ratepayers 4-6.

After the TRWA model computed rates, WOWSC reviewed the 2020 budget, which identified a \$174,515 shortfall due to the increase in legal fees. See Attachment Staff 8-5. It subsequently adjusted the TRWA-recommended rates to account for this shortfall and ultimately adopted rates lower than the TRWA-recommended rates.

Prepared by: Joe Gimenez
Sponsored by: Joe Gimenez

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WOWSC'S SUPPLEMENTAL RESPONSE TO STAFF'S FIRST RFI

STAFF 1-5:

Please identify the revenue requirement that was used to calculate the water rates that are the subject of this appeal.

RESPONSE:

WOWSC relied upon the TRWA model (Attachment MN-2) which computed a \$576,192 revenue requirement using 2019 actual financials to develop rates. Based on a review of the 2020 budget, which identified a \$174,515 shortfall due to the increase in legal fees, WOWSC adjusted the TRWA-recommended rates and ultimately adopt rates lower than the TRWA-recommended rates.

See Response to Ratepayers 4-6, Attachment Ratepayers 4-6, Attachment Staff 8-5.

Prepared by: Mike Nelson
Sponsored by: Mike Nelson

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DOCKET NO. 50788

WOWSC'S SUPPLEMENTAL RESPONSE TO STAFF'S FIRST RFI

STAFF 1-11: Please describe in detail the calculations used to determine the sewer rates that are the subject of this appeal.

RESPONSE: See response to Staff 1-1. The rate increase effective March 23, 2020 was based largely on Texas Rural Water Association (TRWA) employee James Smith's analysis, which was completed in early 2020 and used 2019 year-end financials. The 2019 Rate Study/Rate Analysis completed by TRWA employee James Smith included one analysis for both water and wastewater.

As such, WOWSC relied upon TRWA's analysis.

Moreover, the TRWA model calculated rates with WOWSC's 2019 actual financials. For WOWSC's 2019 actual financials, see Attachment Ratepayers 4-6.

After the TRWA model computed rates, WOWSC reviewed the 2020 budget, which identified a \$174,515 shortfall due to the increase in legal fees. See Attachment Staff 8-5. It subsequently adjusted the TRWA-recommended rates to account for this shortfall and ultimately adopted rates lower than the TRWA-recommended rates.

Prepared by: Joe Gimenez
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WOWSC'S SUPPLEMENTAL RESPONSE TO STAFF'S FIRST RFI

STAFF 1-17: Please identify the names of creditors of Windermere, if any. For each creditor identified, please provide the amount(s) of any outstanding loans at the end of the period Windermere used to determine rates that are the subject of this appeal. Include information to identify the type of loan, term(s), interest rate(s), and the purpose of the loan(s) extended to Windermere.

RESPONSE: Windermere Oaks has one creditor: First United Bank. Loan balance was \$224,546.24 on the December 31, 2019 Summary of Income/Expenses. The loan has a 4.75% interest from a commercial bank and a balloon note will be due in 2021. The loan was initiated to pay for a new waste water treatment plant that was completed around 2014.

Subsequently, WOWSC received loans from CoBank. For CoBank promissory notes, see Attachment JG-19 to the Rebuttal Testimony of Joe Gimenez III. For the dates and amounts of each principal payment due to CoBank, see Attachment Ratepayers 8-5.

Prepared by: Joe Gimenez
Sponsored by: Joe Gimenez

SOAH DOCKET NO. 473-20-4071.WS
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WOWSC'S SUPPLEMENTAL RESPONSE TO STAFF'S FIRST RFI

STAFF 1-25: Staff 1-25 Please identify the amount of legal expenses included in the water and sewer revenue requirements used to calculate the rates that are the subject of this appeal that are one-time expenses and explain why it is appropriate to recover these expenses annually through rates.

RESPONSE: WOWSC has included \$171,337 for accounting and legal expenses for 2019, as reflected in the TRWA model, in the water and sewer revenue requirement. However, after the TRWA rate analysis computed rates, WOWSC reviewed the 2020 budget, which included \$250,000 worth of legal fees. WOWSC adjusted the TRWA-recommended rates to recover the additional budgeted legal fees.

WOWSC has included its legal expenses in the revenue requirement, recovering them through rates rather than through a surcharge for several reasons.

First, due to the nature of the ongoing legal fees, WOWSC must continue to recover these expenses until the litigation becomes final. The legal fees in WOWSC's rates are not the result of a one-time lawsuit that is final and unappealable. These legal costs are the result of continuing, pending lawsuits that have not shown any signs of resolution or settlement. WOWSC is not the petitioner in the lawsuits for which it is incurring legal fees, and WOWSC is legally authorized to defend the corporation and its board members. WOWSC expects that it will incur legal defense expenses annually until these lawsuits are resolved. As such, these are known and measurable changes to the test year.

WOWSC uses the cash needs basis to determine its rates. Under 16 Texas Administrative Code § 24.75(c)(2)(A), a utility using the cash needs method may include allowable operating and maintenance expenses, which must be based on the utility's test year expenses as adjusted for known and measurable changes and reasonably anticipated, prudent projected expenses. Therefore, WOWSC has appropriately included the legal costs as known and measurable adjustments to its test year costs under the cash needs method.

Second, at the time of adoption, WOWSC's tariff does not currently allow for surcharges for legal expenses. WOWSC has recently amended its tariff to allow for surcharges.

Prepared by: Counsel
Sponsored by: Joe Gimenez