



Filing Receipt

Filing Date - 2023-09-17 09:58:14 PM

Control Number - 52370

Item Number - 108

SOAH Docket No. 473-22-07686

PUC Docket No. 52370

ATTN: SOAH

We at East Houston Utilities appreciate the time and effort SOAH has put in this Rate Change matter. Since the decision to abate on 6/19/2023, we have been in contact with Mrs. Wagley on several different occasions to provide clarification on her request for information on our books. During those discussions she was not able to describe a specific format or type of financial information she requests, but only described what she needed in seemingly vague and indirect statements. However, during the last few months we have made every attempt to satisfy each request that Mrs. Wagley requested.

One of the issues Mrs. Wagley wanted was clarification on how we split office expenses. Subsequently we provided a lease in filing 87, which specifically shows a \$1,200/month lease and \$400/month expense applied to the Whitewing CCN 12042, which is only that CCN's portion of the office lease cost. We showed that this example is how we split all of the common expenses associated with the three CCN's. Also, we have sent to Mrs. Wagley for review of the documentation from the other two affiliate CCN's which shows their portion of the common costs that are equal to Whitewings' CCN.

We feel like the profit and loss statements associated with each CCN is sufficient enough for Mrs. Wagley to see how common costs are split among the affiliate CCN's.

Another issue Mrs. Wagley requested was the review and production of financial values to be provided by a private third-party financial consultant. We enlisted the help of a financial consultant, Kathy Laramore of Tax and Business Solutions, to provide the P&L statements to Mrs. Wagley. See filing #105 in the PUC Docket 52370. Mrs. Laramore's results verified the initial schedules that were provided to the PUC at the beginning of this process showing a \$49,647 and \$55,919 recommended annual cost of service.

Furthermore, we contacted Mrs. Eaves with DUO at the PUC to ask for assistance in reviewing the documents. She sent Phyllis Brown for assistance on another project. While Mrs. Brown was there we asked for her assistance to review the documents but she indicated she could not without another contract job. After contacting Mrs. Eaves, she said she would reach out to Mrs. Wagley, which she did. Mrs. Eaves contacted us after speaking with Mrs. Wagley and informed us that Mrs. Wagley still wanted clarification on the split of common costs and nothing else was mentioned. We believe that the methods of splitting common costs among the affiliates that our initial PUC contractor in 2021, Phillip Givens, is appropriate.

From conversations with others in Mrs. Wagley's department, we understand that she is new with the PUC and may not be completely aware of the requirements that a public utility must follow under TCEQ & PUC regulations. Since this company was started in September of 1997, we have established rate changes under three separate commissions including the TNRC,

TCEQ and the PUC. During those times we have never had an issue with being able to recover costs that these entities demand until now. We hope that Mrs. Wagley understands the unfairness of either having the other affiliates or a lending agency cover expenses associated with the Whitewing CCN 12042 that cannot be recovered under the tariff.

No matter how you see it, the annual need for Whitewing CCN is around \$50,000. Anything less would require subsidies from either an affiliate or a financial loan, as which would only continue the deficit incurred every year for the past 8 years. We hope that SOAH sees the necessity to have a tariff that will cover all of the requirements of TCEQ and the PUC.

We believe that the methods of splitting common costs among the affiliates that our initial PUC contractor in 2021, Phillip Givens, is appropriate. However, we understand the logic of splitting the common costs among all of the affected PWS's instead of the three CCN's. All the three affiliate CCN's include 8 separate PWS's. We took the liberty for SOAH's consideration of recalculating the annual cost of service dividing the common costs among these 8 PWS's instead of the 3 CCN's. We calculated the annual cost of service by splitting the common costs between the 8 PWS's to be adjusted to \$40,333.41, using the \$49,647 cost of service figure for the 2020 test year from the application.

We have come to the limit of what our office and the office of Kathy Laramore with Tax and Business Solutions can provide. We hope that this will satisfy the recommendations of Mrs. Wagley and if it does not, we ask that SOAH make a ruling on the tariff that would cover our annual cost of service.

Thank you,

Stephen Krebs

EHU