



## **Filing Receipt**

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June 9, 2023

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## **ATTACHMENTS**

FQ-1	Staff's Revenue Requirement
FQ-2	List of testimonies
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FQ-4	East Houston's 2021 Annual Report
FQ-5	East Houston's Answers to RFI 5/30/2023

**I. STATEMENT OF QUALIFICATIONS**

**Q. Please state your name and business address.**

A. My name is Frederick Quijano. My business address is 1701 N. Congress Avenue, Austin, Texas.

**Q. By whom are you currently employed and in what capacity?**

A. I am employed by the Public Utility Commission of Texas (Commission) as a Regulatory Accountant in the Rate Regulation Division.

**Q. What are your principal responsibilities as a Regulatory Accountant for the Commission?**

A. My responsibilities include testifying as an expert witness on accounting matters in rate cases and other applications filed with the Commission and participating in the overall examination, review, and analysis of such applications.

**Q. Please state your educational background and professional experience.**

A. In May 2016, I graduated from Texas State University in San Marcos with a Bachelor of Business Administration degree in Accounting. After graduating, I attended St. Edwards University and Austin Community College to fulfill my 150-credit hour requirement for eligibility to become a Certified Public Accountant (CPA) in the State of Texas. In October of 2018, I was approved by the Texas State Board of Public Accountancy to sit for the CPA exam.

From September 2016 to May 2018, I was employed by Evelyn Edwards, CPA, PLLC as a tax preparer. My main role was to prepare federal and state tax returns for individual, corporate, and not-for-profit clients. I was also tasked with research and analysis of tax issues and updates to tax law with the passing of the Tax Cuts and Jobs Act in December 2017. In August 2018, I began employment with the Commission in the Rate Regulation Division as a Regulatory Accountant.

1 **Q. Have you previously testified before the Commission?**

2 A. Yes. A listing of my previously filed testimonies can be found in Attachment FQ-2.

3 **II. PURPOSE AND SCOPE OF TESTIMONY**

4 **Q. What is the purpose of your testimony in this proceeding, Docket No. 52370,**  
5 ***Application of East Houston Utilities, Inc. for Authority to Change Rates?***

6 A. The purpose of my testimony is to present Commission Staff's (Staff) recommended cost  
7 of service (also referred to as the revenue requirement) for East Houston Utilities Inc.  
8 (East Houston) based on the test year ending December 31, 2020. I recommend  
9 adjustments to operations and maintenance (O&M) expense, cash working capital, taxes  
10 other than income taxes, federal income taxes, and adjustments resulting from the flow-  
11 through affects produced by adjustments made by other Staff witnesses. I incorporated  
12 the recommendation of Staff witness Mark Filarowicz on rate of return into my revenue  
13 requirement. Staff witness Adrian Narvaez presents the recommended water rates using  
14 my adjusted revenue requirement. Please see their testimonies for details related to those  
15 recommendations. Lastly, I provide my recommendation related to East Houston's  
16 affiliate relationships and its request for recovery of rate-case expenses incurred in this  
17 proceeding.

18 **Q. What is the scope of your review?**

19 A. I reviewed East Houston's Application, testimony, replies to Staff's recommendation on  
20 administrative completeness, and response to Staff's first request for information (RFI).

21 **Q. What regulatory standards did you rely upon in your review of East Houston's**  
22 **application?**

23 A. I based my analysis on the standards set forth in Texas Water Code (TWC) §13.185.  
24 This statute addresses the components of invested capital and net income and states, in  
25 part:

1 (a) Unless alternate methodologies are adopted as provided in Sections  
2 13.183(c) and 13.184(a), the components of invested capital and  
3 net income shall be determined according to the rules stated in this  
4 section.

5 (d) Net income is the total revenues of the utility less all reasonable  
6 and necessary expenses as determined by the regulatory authority.  
7 The regulatory authority shall:

8 (1) base a utility's expenses on historic test year information  
9 adjusted for known and measurable changes, as determined  
10 by utility commission rules; and

11 (2) determine expenses and revenues in a manner consistent with  
12 Subsections (e) through (h) of this section.

13 (e) Payment to affiliated interests for costs of any services, or any property,  
14 right or thing, or for interest expense may not be allowed either as capital cost  
15 or as expense except to the extent that the regulatory authority finds that  
16 payment to be reasonable and necessary. A finding of reasonableness and  
17 necessity must include specific statements setting forth the cost to the affiliate  
18 of each item or class of items in question and a finding that the price to the  
19 utility is no higher than prices charged by the supplying affiliate to its other  
20 affiliates or divisions for the same item or items, or to unaffiliated persons or  
21 corporations.  
22

23 In addition, I analyzed East Houston's request under 16 Texas Administrative Code  
24 (TAC) § 24.41, which provides the basic equation for a utility's cost of rendering service.  
25 The Commission rule states, in part:  
26

27 (a) Components of cost of service. Rates are based upon a utility's  
28 cost of rendering service. The two components of cost of service  
29 are allowable expenses and return on rate base.

30 (b) Allowable expenses. Only those expenses that are reasonable and  
31 necessary to provide service to the ratepayers may be included in  
32 allowable expenses. In computing a utility's allowable expenses,  
33 only the utility's test year expenses as adjusted for known and  
34 measurable changes may be considered. A change in rates must be  
35 based on a test year as defined in §24.3(37) of this title, relating to  
36 Definition of Terms.

37 (c) Return on rate base. The return on rate base is the rate of return times rate  
38 base.  
39

40 Further, I also relied upon the language in 16 TAC § 24.44, which addresses a utility's  
41 recovery of rate-case expenses incurred as a result of filing a rate-change application.  
42 The Commission rule states, in part, the following:  
43

44 (a) Recovery of rate-case expenses. A utility may recover rate-case  
45 expenses, including attorney fees, incurred as a result of filing a

1 rate-change application pursuant to TWC §13.187 or TWC  
2 §13.1871, only if the expenses are reasonable and necessary.

3 **Q. If you do not address an issue or position in your testimony, should that be**  
4 **interpreted as you supporting East Houston's position on that issue?**

5 A. No. The fact that I do not address an issue in my testimony should not be construed as  
6 agreeing, endorsing, or consenting to any position taken by East Houston.

7 **III. TERMS AND DEFINITIONS**

8 **Q. What is meant by the terms "revenue requirement" or "cost of service"?**

9 A. The American Water Works Association's (AWWA's) manual, entitled *Principles of*  
10 *Water Rates, Fees and Charges*, states that "revenue requirements are the summation of  
11 the operation, maintenance, and capital costs that a utility must recover during the time  
12 period for which rates will be in place."<sup>1</sup> I use the terms "revenue requirement" and "cost  
13 of service" synonymously within my testimony because the revenue requirement should  
14 equal the cost of service to make the utility whole. The "net revenue requirement" is  
15 used to determine the fixed rate and gallonage charges needed to pay for the cost of  
16 service that is not paid for by other revenues. Other revenues include a variety of fees  
17 collected by the utility such as late fees and reconnect fees. To avoid double-recovery,  
18 the revenue requirement is reduced by other revenues so that the fixed rate and gallonage  
19 charges do not recover the same expenses paid for by the other revenues. This results in  
20 the net revenue requirement.

21 **Q. What is the "utility method" of determining the cost of service?**

22 A. The AWWA manual *Principles of Water Rates, Fees and Charges* states the following  
23 regarding the utility-basis (or "utility method") approach:

24 The utility-basis approach to measuring revenue requirements is  
25 typically mandated for investor-owned water utilities and  
26 mandated or permitted for government-owned utilities in  
27 jurisdictions where the utility is regulated by a utility commission

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<sup>1</sup> *M1 Principles of Water Rates, Fees and Charges* (6<sup>th</sup> Ed. 2012) at 5.

or other similar regulatory body. The utility-basis approach for determining revenue requirements consist of O&M expenses, taxes or transfer payments, depreciation expense, and a “fair” return on rate base investment.<sup>2</sup>

**Q. How is the cost of service determined using the utility method for an investor-owned utility?**

A. The two components of cost of service are allowable expenses and return on invested capital. The following equation expresses the cost of service under the utility-basis approach:

$$RR = E + D + T + (RB \times ROR), \text{ where}$$

RR = Revenue Requirement  
E = Operations and Maintenance Expense  
D = Depreciation Expense  
T = Taxes  
RB = Rate Base  
ROR = Overall Rate of Return

**Q. What is the definition of known and measurable expenses?**

A. Known and measurable expenses are defined in the Commission’s Standard Class A Rate Filing Package. Specifically, for an expense to be deemed known and measurable, it must be verifiable on the record as to amount and certainty of effectuation, and it must be reasonably certain to occur within 12 months of the end of the test year.<sup>3</sup>

**Q. What is a test year?**

A. A test year is defined under 16 TAC § 24.3(37) as the most recent 12-month period, beginning on the first day of a calendar or fiscal year quarter, for which operating data for a retail public utility are available.

**Q. What test year did you use to review East Houston’s requested revenue requirements?**

A. I used East Houston’s requested test year ending December 31, 2020.

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<sup>2</sup> *Id.* at 12.

<sup>3</sup> Instructions for Rate/Tariff Change, Class A Water and Sewer Utilities (Sep. 17, 2015) at 10.



**IV. EAST HOUSTON'S REQUESTED COST OF SERVICE**

**Q. What cost of service does East Houston request?**

A. East Houston requests a total water cost of service of \$62,823 summarized in Table 1 below.

**Table 1 – Requested Company Total Cost of Service<sup>4</sup>**

<b>Account Name</b>	<b>Amount</b>
Total Operating Expenses	\$35,378
Depreciation	\$12,487
Taxes Other than Income	\$ 0
Income Tax Expense	\$ 8,971
Total Expenses	\$56,236*
Return on Invested Capital	\$ 7,087
<b>TOTAL COST OF SERVICE</b>	<b>\$63,323</b>
Less: Other Revenues	\$ (500)
<b>NET COST OF SERVICE</b>	<b>\$62,823</b>

\*Note: Amount should add to \$56,836, but \$56,236 is listed in the Application, and the subsequent totals are off by the same amount as well.

**Q. What cost of service do you recommend in this case?**

A. I recommend a cost of service of \$55,919, before adjustments for other revenues. Attachment FQ-1 provides the details for the cost of service and adjustments.

**Q. Please describe your recommended cost of service.**

A. My recommended cost of service reflects adjustments to cash working capital, taxes other than income taxes, federal income taxes, and the recommendations of other Staff witnesses.

Attachment FQ-1 presents Staff's proposed adjustments to the total revenue requirement through a series of five schedules presents the revenue requirements as described below:

<sup>4</sup> Application at Schedules I-1.

- Schedule I presents the overall costs of service. The subsequent schedules provide details of specific components contained within Schedule I.
- Schedule II details the adjustments to O&M expense.
- Schedule III shows the calculation of invested capital.
- Schedule IV details the O&M accounts for water, wastewater, and shared expenses.
- Schedule IV details taxes other than income.
- Schedule V details the calculation of normalized federal income tax.

**Q. Please describe the format of each schedule.**

A. The first column of each schedule presents December 31, 2020 historical test-year amounts. The second column reflects the proposed known and measurable changes requested by East Houston to derive its requested amounts presented in the third column. The fourth column presents Staff's recommended adjustments to East Houston's calculated revenue requirement. The final column presents Staff's proposed revenue requirement.

**V. RECOMMENDED ADJUSTMENTS**

**Q. What adjustments does Staff recommend for the revenue requirement?**

A. Staff recommends the following adjustments to East Houston's revenue requirement:

<u>Account Name</u>	<u>Amount</u>
Operations and Maintenance (O&M)	(\$4,438)
Depreciation and Amortization Expense	0
Taxes other than income	\$924
Federal Income Taxes	(\$4,240)
Return on Invested Capital	\$120
<b>Total Adjustments</b>	<b>(\$7,035)</b>

1 **Q. Please explain the adjustments to O&M expenses.**

2 A. Adjustments to O&M expenses are shown on Staff Schedule II of Attachment FQ-1. The  
3 first adjustment to O&M expenses arises from an incorrect calculation by East Houston  
4 of its total expenses. East Houston's Application shows a total O&M expense of  
5 \$35,378.<sup>5</sup> When I input the same amounts from East Houston's application, I derive a  
6 total of \$34,779. This is a difference of \$(599).

7 **Q. Please explain the adjustments to insurance, regulatory, and miscellaneous (bank**  
8 **fees) expenses.**

9 A. Staff's RFI 1-2 asked East Houston to provide invoices and other supporting  
10 documentation for O&M expenses related to office services and rentals, office supplies  
11 and expenses, insurance, regulatory expense, and bank fees.<sup>6</sup> In East Houston's response  
12 to Staff's RFI, there were no invoices or receipts supporting the insurance, regulatory,  
13 and bank fee expenses. East Houston's testimony in this proceeding does not provide a  
14 reason on why these expenses should be included in their revenue requirement and I am  
15 unable to verify these expenses. Therefore, I made an adjustment of (\$1,908)<sup>7</sup> to remove  
16 those expenses from the overall revenue requirement.

17 **Q. Please explain your adjustment of (\$1,930) to office services and rentals expense.**

18 A. In the attached invoices to East Houston's response to Staff's RFI, I identified invoices  
19 relating to office services expense totaling \$1,946. I recommend an office and rentals  
20 expense of \$1,946 so I made an adjustment of (\$1,930) to East Houston's requested  
21 amount of \$3,876 due to lack of supporting evidence for this expense.

22 **Q. Do you recommend an adjustment to East Houston's cash working capital?**

23 A. Yes. I recommend an adjustment of (\$555) to East Houston's requested cash working  
24 capital of \$4,422.<sup>8</sup>

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<sup>5</sup> Application at Schedule II-3.

<sup>6</sup> Answers to RFI 5/30/23, May, 31

<sup>7</sup> Attachment FQ-1, Staff Schedule II, Lines 27-29

<sup>8</sup> Application at Schedule III-2.

**Q. How did you calculated your recommended cash working capital allowance?**

A. I followed the standards of 16 TAC § 24.41(c)(2)(D)(iii)(II), which states:

For Class C and Class D utilities, one-eighth of operations and maintenance expense excluding amounts charged to operations and maintenance expense for materials, supplies, expenses recovered through a pass-through provision or through charges other than base rate and gallorage charges, and prepayments will be considered a reasonable allowance for cash working capital.

Applying one-eighth to my recommended O&M expenses produces my adjusted cash working capital allowance of \$3,868, which is \$555 less than East Houston's request.

**Q. Please explain your recommended adjustment to East Houston's taxes other than income taxes.**

A. I recommend an increase of \$924 to East Houston's annual taxes other than income taxes for evidence supporting a higher *ad valorem* tax and to cover payroll taxes associated with its management and office salaries of \$11,880.<sup>9</sup> I applied the rate of 7.65% (which includes the Medicare Hospital Insurance, Old Age and Survivors Insurance, and Disability Insurance) to East Houston's requested salary expenses, which produces my recommended adjustment of \$924.

**Q. Please explain East Houston's increase to *ad valorem* taxes.**

A. In East Houston's response to Staff RFI 1-3, East Houston provided property tax statements for the test year 2020 which totaled \$612, which is \$15 greater than the amount shown on their application.

**Q. Please explain your adjustment to federal income tax expense.**

A. My recommended adjustment to federal income tax results from flow-through changes based on adjustments to component costs of capital, return on rate base, synchronized interest, and federal income tax using the correct federal income tax factor.

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<sup>9</sup> Application at Schedule I-1.

1 **Q. Please describe the method you used to calculate your recommended federal income**  
2 **tax expense.**

3 A. I calculated federal income tax expense using Tax Method One, which is based on the  
4 return calculation. Any adjustments to the calculated return therefore impact the federal  
5 income tax expense calculation. Staff witness Mark Filarowicz recommends a rate of  
6 return equal to 6.13%. Applying his rate of return to the Staff recommended rate base  
7 results in a return amount of \$7,207. Using Tax Method One and the current corporate  
8 Federal Income Tax rate of 21% results in my recommended federal income tax expense  
9 of \$1,385.

10 **Q. Please explain the calculation of federal income tax.**

11 A. Tax Method One includes a grossed-up tax factor that allows the regulated utility to  
12 recover the taxes that it will pay related to the tax expense that it collects. The full  
13 federal income tax expense is determined by taking East Houston's return on rate base,  
14 subtracting synchronized interest, and multiplying the taxable return by a tax factor based  
15 on the federal corporate tax rate. The formula to determine the tax factor is  $[(1/(1-$   
16  $\text{Corporate tax rate}) \times \text{corporate tax rate}]$ . The corporate tax rate is 21%, and the grossed-  
17 up tax factor is calculated as shown:

$$\begin{aligned} & (1/(1-.21)*.21) \\ & (1/(.79)*.21) \\ & 1.2658227848 * .21 \\ & = 0.2658227848 \end{aligned}$$

22 **Q. Does your recommended revenue requirement include adjustments recommended**  
23 **by other Staff witnesses?**

24 A. Yes. I included the effects of the recommendation on rate of return of Staff witness  
25 Mark Filarowicz.

26 **VI. AFFILIATES**

27 **Q. Please define affiliate as it applies to the review of rate change applications.**

1 A. TWC § 13.002(2) states: "Affiliated interest" or "affiliate" means:

- 2 (A) any person or corporation owning or holding directly or  
3 indirectly five percent or more of the voting securities of a  
4 utility;
- 5 (B) any person or corporation in any chain of successive  
6 ownership of five percent or more of the voting securities of a  
7 utility;
- 8 (C) any corporation five percent or more of the voting securities of  
9 which is owned or controlled directly or indirectly by a utility;
- 10 (D) any corporation five percent or more of the voting securities of  
11 which is owned or controlled directly or indirectly by any  
12 person or corporation that owns or controls directly or  
13 indirectly five percent or more of the voting securities of any  
14 utility or by any person or corporation in any chain of  
15 successive ownership of five percent of those utility securities;
- 16 (E) any person who is an officer or director of a utility or of any  
17 corporation in any chain of successive ownership of five  
18 percent or more of voting securities of a public utility;
- 19 (F) any person or corporation that the utility commission, after  
20 notice and hearing, determines actually exercises any  
21 substantial influence or control over the policies and actions of  
22 a utility or over which a utility exercises such control or that is  
23 under common control with a utility, such control being the  
24 possession directly or indirectly of the power to direct or cause  
25 the direction of the management and policies of another,  
26 whether that power is established through ownership or voting  
27 of securities or by any other direct or indirect means; or
- 28 (G) any person or corporation that the utility commission, after  
29 notice and hearing, determines is exercising substantial  
30 influence over the policies and actions of the utility in  
31 conjunction with one or more persons or corporations with  
32 which they are related by ownership or blood relationship, or  
33 by action in concert, that together they are affiliated within the  
34 meaning of this section, even though no one of them alone is  
35 so affiliated

36 **Q. Does East Houston claim any affiliate relationships?**

37 A. No. East Houston's responses to Staff's Recommendation and Supplemental  
38 Recommendations on Administrative Completeness in this proceeding do not provide  
39 information responsive to requests for information describing affiliate relationships.

1           Additionally, East Houston's testimony of Stephen Krebs omits any discussions of its  
2           affiliate relationships.<sup>10</sup>

3           **Q.     Based upon your review, did you identify affiliates of East Houston?**

4           A.     In addition to reviewing the Application, I reviewed the annual report of Krebs Utilities  
5           filed in Project No. 52954, which identifies the multiple Certificates of Convenience and  
6           Necessity held by Stephen Krebs.<sup>11</sup> According to Krebs Utilities' 2021 Annual Report  
7           for Class D Water and Sewer Utilities, Stephen Krebs owns East Houston Utilities (CCN  
8           No. 12042), Krebs Utilities, Inc. (CCN No. 11984), and K Lake Water System and Padok  
9           Utility (CCN No. 12598).<sup>12</sup> East Houston's reply to Staff's March 11, 2022  
10          Supplemental Recommendation on Administrative Completeness indicates that East  
11          Houston paid \$38,434 in 2021 income directly to Roving Meadows Utilities (CCN No.  
12          20781).<sup>13</sup>

13          **Q.     Does Mr. Krebs' testimony explain the nature of his or East Houston's relationship**  
14          **with the entities identified above?**

15          A.     No. However, East Houston indicates that it collects payments made by Roving Meadows  
16          Utilities' customers and then pays that entity.<sup>14</sup> East Houston does not operate the  
17          Roving Meadows Utilities CCN and it is not financially responsible for the CCN.<sup>15</sup> In  
18          East Houston's response to Staff's RFI 1-4, Mrs. Krebs states that the three CCNs Mr.  
19          Krebs' holds are operated by one single account and, therefore, billing between affiliates  
20          was not done.

21          **Q.     Is it your opinion that the entities identified above meet the definition of affiliates of**

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<sup>10</sup> Direct Testimony of Stephen P. Krebs (Oct. 24, 2022).

<sup>11</sup> *Krebs Utilities Class D Annual Financial Report*, Project No. 52954 at General Questions A and L (May 25, 2022).

<sup>12</sup> *Id.*

<sup>13</sup> *Reply to the Memorandum Dated March 11, 2022* at 12 (Apr. 5, 2022) (April Reply)

<sup>14</sup> April Reply.

<sup>15</sup> *Id.*

**East Houston?**

A. Yes. Using the definition of affiliate as presented in TWC § 13.002(2)(F), East Houston is an affiliate of Krebs Utilities, Inc., K Lake Water System and Padok Utility, and Roving Meadows Utilities. Because East Houston's owner, Stephen Krebs, also owns Krebs Utilities, Inc. and the K Lake Water System and Padok Utility, the "under common control with the utility" provision applies. Further, because East Houston collects Roving Meadows Utilities' payments from customers, it has the "indirect means" to show "substantial influence or control over the policies and actions of a utility," an important criterion in TWC § 13.002(2)(F) for determining an affiliate relationship.

**Q. How does East Houston allocate the expenses to its affiliates?**

A. Based upon the information in the Application, testimony, responses and replies to Staff's Recommendations on Administrative Completeness, and responses to Staff's RFI, I am unable to determine the allocation method used by Stephen Krebs to assign expense among affiliates.

**Q. Is the method the Stephen Krebs used to allocate expenses to the affiliates appropriate?**

A. No. Because East Houston failed to present documentation supporting the standards of TWC § 13.185(e) related to affiliates, I am unable to determine the appropriateness of his methods.

**Q. Do you recommend an adjustment to the revenue requirement related to affiliate transactions?**

A. No. Because of the size of East Houston, any adjustments to remove affiliate payroll and other expenses would be to the financial detriment of the utility. Instead, I recommend that the Commission require East Houston to demonstrate compliance with 13.185(e) by maintaining separate books and records for each utility, reducing all service agreements with Stephen Krebs to writing, providing a detailed cost allocation study, and



1 demonstrating that the costs billed to each utility meet the “no higher than” standard. I  
2 recommend that East Houston provide this information in its rebuttal testimony so that I  
3 can provide supplemental testimony related to the reasonableness and necessity of the  
4 expenses. If East Houston fails to provide responsive information, I recommend that the  
5 Commission open a compliance proceeding to monitor East Houston’s progress and  
6 require it to reach full compliance by July 31, 2023.

7 **VII. RATE CASE EXPENSES**

8 **Q. What amount of rate-case expenses does East Houston seek to recover in this**  
9 **proceeding?**

10 A. At the time of my testimony, East Houston has not requested recovery of any rate-case  
11 expenses associated with the processing of this Application.<sup>16</sup>

12 **Q. Please explain your recommendation on East Houston’s recovery of rate case**  
13 **expense.**

14 A. I recommend that East Houston provide rebuttal testimony that includes documentation  
15 supporting the costs incurred to date for processing this Application. Further, I  
16 recommend that East Houston follow the requirements of 16 TAC § 24.44 in preparing  
17 its request. To the extent that East Houston provides rate-case expense documentation, I  
18 plan to supplement this testimony to update my recommendation.

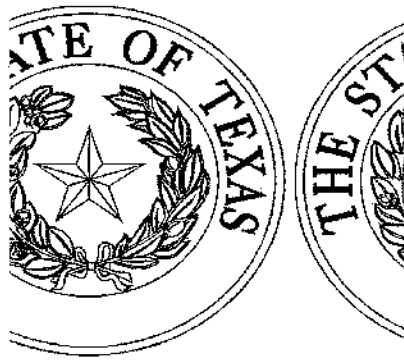
19 **Q. Does this conclude your direct testimony?**

20 A. Yes. I reserve the right to supplement this testimony during the proceeding as new  
21 evidence becomes available.



## Filing Receipt

**Received - 2022-05-25 01:00:55 PM**  
**Control Number - 52954**  
**ItemNumber - 85**



WATER AND SEWER INVESTOR-OWNED UTILITIES

**CLASS D** ANNUAL FINANCIAL REPORT

OF

**KREBS UTILITIES**

TO THE

PUBLIC UTILITY COMMISSION OF TEXAS

FOR THE

**12 Months Ending December 31, 2021**

Check one:

This is an original submission ☒

This is a revised submission ☐

Date of submission: 5/25/2022

PUBLIC UTILITY COMMISSION OF TEXAS  
1701 N. CONGRESS AVE., PO BOX 13326, AUSTIN, TX 78711-3326

**Annual Report for Class D Water and Sewer Utilities**

Under the provisions of TWC § 13.136 and 16 Texas Administrative Code §§ 24.127 and 24.129

**UTILITY INFORMATION**

(Attach additional pages as necessary)

- A. Utility Name: KREBS UTILITIES
- List all assumed names or dba names: EAST HOUSTON UTILITIES; K LAKE PADOK UTILITY
- B. Street Address, City or Town & Zip code: 11015 SHELDON ROAD STE 102 HOUSTON 77044
- County: HARRIS CCN #s: 12042;11984;
- C. List All PWS System names and numbers: 1012868;1012710;1012130;1012260;101067510360090;0360117;1460061  
(attach a separate list if necessary)
- D. List All WQ Permitted system names and numbers:  
(attach a separate list if necessary)
- E. Type of Ownership:  
Corporation: X Partnership: Individual: Other:
- F. Name of entity and type of form filed for federal tax purposes (1120, 1065, etc). S CORP
- G. If a corporation, list names of the officers. If an individual or partnership, list the name of the individual or each partner.  
STEPHEN KREBS; OWNER
- H. If the controlling ownership of this utility changed during the last twelve (12) months, state the date of ownership change and the name and address of the prior owner.  
N/A
- I. Date the utility was formed or incorporated:  
September 1997
- J. Is the utility commonly owned or controlled by another corporation? Y N  
If yes, by whom?  
NO

General Questions (cont.)

- K. List all entities under common control or ownership with this utility by entity name, CCN number, Public Water

System (PWS) numbers and names of water systems owned, Water Quality (WQ) Discharge Permit numbers and names of wastewater systems owned and contact information.

N/A

- L. If the utility owner has multiple CCNs, please list all CCN numbers owned:  
12042, 11984, 12598

**PERSON TO CONTACT REGARDING THE INFORMATION SUPPLIED ON THESE FORMS**

- A. Name and Title:

HANNAH KREBS  
OFFICE MANAGER

- B. Street Address, city, zip code

11015 SHELDON RD #102  
HOUSTON TEXAS 77044

- C. Telephone Number with Area Code:

2814560883

Cell Phone Number with Area Code:

4092771087

Fax Number with Area Code:

Email address:

HANNAHRCEHU@GMAIL.COM

- D. If not an officer, owner or employee, give name of firm employed by:

12 Months Ending December 31, 2021

Schedule I  
05/25/22\_)

**SUMMARY OF REVENUES AND EXPENSES**

(Except for blue cells, the values in this table will populate)

Line	Reference	(a) Total Company	(b) Water Operations	(c) Sewer Operations
1	<b>TOTAL REVENUES:</b>			
2	Base rates (fixed and gallonage charges)	\$231,579	\$0	\$0
3	Pass-through revenues	0	0	0
4	Other	0	0	0
5				
6	Total Revenues Lines 2 through 5)	\$231,579	\$0	\$0
7				
8	<b>EXPENSES:</b>			
9	Operations and Maintenance Expense (Note 1)	\$229,742	\$229,742	\$0
10	Amortization Expense - Other	0	0	0
11	Depreciation Expense	0	0	0
12	Interest on Customer Deposits	0	0	0
13	Taxes Other Than Income Taxes	PAYROLL TAX 8,383	0	0
14	Federal Income Taxes		0	0
15		0	0	0
16				
17	<b>TOTAL EXPENSES (Lines 9 through 15)</b>	<b>\$238,125</b>	<b>\$229,742</b>	<b>\$0</b>
18	Return (Line 6 minus Line 17)	(\$6,546)	(\$229,742)	\$0
19				
20	Non-Operating Income	0	0	0

Note 1: This amount will be carried automatically from Schedule II, line 43.

12 Months Ending December 31, 2021

Schedule II  
05/25/22\_)

**GENERAL & ADMINISTRATIVE and OPERATIONS AND MAINTENANCE EXPENSE**

(Except for blue cells, the values in this table will populate)

Line		(a) Total Company (b)+(c)	(b) Water Operations	(c) Sewer Operations
21	Office Salaries	\$18,000	\$18,000	\$0
22	Office Rent	14,400	\$14,400	\$0
23	Office Supplies	5,608	\$5,608	\$0
24	Contract Accounting	11,134	\$11,134	\$0
25	Insurance	0	\$0	\$0
26	Legal	0	\$0	\$0
27	Management Salaries	50,771	\$50,771	\$0
28	Miscellaneous (POSTAGE)	2,918	\$2,918	\$0
29	Other-add description	0	\$0	\$0
30	<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSE</b>	102,831	102,831	0
31				
32				
33	Operations and Maintenance Salaries	\$21,788	\$21,788	\$0
34	Employee Benefits	0	\$0	\$0
35	Operations and Maintenance Contract Labor	2,044	\$2,044	\$0
36	Supplies	28,321	\$28,321	\$0
37	Purchased Power	56,968	\$56,968	\$0
38	Testing	12,838	\$12,838	\$0
39	Chemicals	4,952	\$4,952	\$0
40	Miscellaneous Operations and Maintenance	0	\$0	\$0
41	<b>TOTAL OPERATIONS AND MAINTENANCE EXPENSES</b>	126,911	126,911	0
42				
43	<b>TOTAL GEN &amp; ADM and OP &amp; MAINTENANCE EXPENSES</b>	\$229,742	\$229,742	\$0

12 Months Ending December 31, 2021

Schedule III  
05/25/22\_)

**INVESTED CAPITAL AT END OF REPORTING PERIOD**

(Except for blue cells, the values in this table will populate)

Line	Reference	(a) Total Company (b)+(c)	(b) Water Operations	(c) Sewer Operations
44	Utility Plant In Service	\$0	\$0	\$0
45	Accumulated Depreciation (Note 1)	0	0	0
46				
47	Net Plant In Service (Lines 44 through 45)	0	0	0
48	Working Cash Allowance	28,718	28,718	0
49	Materials and Supplies Inventory	0	0	0
50	Prepayments	0	0	0
51	Customer Deposits (Note 1)	0	0	0
52	Customer Contributions in Aid of Construction (Note1)	0	0	0
53	Other (attach schedule or itemize)	0	0	0
54	Other (attach schedule or itemize)	0	0	0
55				
56	TOTAL INVESTED CAPITAL (Lines 47 through 54)	\$28,718	\$28,718	\$0
57	Return (Schedule I, Line 18)	(\$6,546)	(\$229,742)	\$0
58	Rate of Return (Line 57 / Line 56)	-22.79%	-800.00%	0.00%

Note 1: These items are typically deductions from invested capital and thus should normally be entered as negative amounts.



12 Months Ending December 31, 2021

Schedule IIIa  
05/25/22\_)

**NET INVESTED CAPITAL SUPPLEMENTAL**

(Except for blue cells, the values in this table will populate)

(Report the original cost values of utility plant in service by prescribed accounts.)

<u>Line</u>	<u>Water Plant in Service</u>	<u>Reference</u>	<u>Year end Balance</u>
1	101.1 Intangible Plant		\$0
2	101.2 Source of Supply and Pumping		0
3	101.3 Water Treatment Equipment		0
4	101.4 Transmission and Distribution		0
5	101.1 General Plant		0
6			0
7	Total Water Plant In Service		<u>\$0</u>
8			
9	Sewer Plant in Service		0
10			0
11	101.2 Intangible Plant		0
12	101.2 Collection System		0
13	101.4 Treatment and Disposal Facilities		0
14	101.6 Reclaimed Water Distribution Plant		0
15	101.7 General Plant		0
16			0
17	Total Sewer Plant in Service		<u>\$0</u>
18			
19	TOTAL PLANT IN SERVICE Lines 7 plus 17)		<u>\$0</u>

12 Months Ending December 31, 2021

Schedule IV  
05/25/22\_)

**EXTRAORDINARY AND NONRECURRING ITEMS**

(Except for blue cells, the values in this table will populate)

Ref. Schedule	Column	Line Number	Description	Total Water	Total Sewer
		1			
		2		\$0	\$0
		3		0	0
		4		0	0
		5		0	0
		6		0	0
		7		0	0
		8		0	0
		9	<b>OTHER INFORMATION</b>	0	0
		10		0	0
		11	Number of Active Connections at End of Reporting Period	0	0
		12	5/8" Meters	326	0
		13	3/4" Meters	0	0
		14	1" Meters	0	0
		15	1 1/2" Meters	0	0
		16	2" Meters	0	0
		17	List all Additional Meter Sizes:	0	0
		18		0	0
		19		0	0
		20		0	0
		21	Number of Inactive Connections	0	0
		22	5/8" Meters	0	0
		23	3/4" Meters	0	0
		24	1" Meters	0	0
		25	1 1/2" meters	0	0
		26	2" Meters	0	0
		27	List all Additional Meter Sizes:	0	0
		28		0	0
		29		0	0
		30		0	0
		31	Total Gallons Pumped	17,962,000	---
		32	Total Gallons Purchased	0	---
		33	Total Water Produced	17,962,000	---
		34	Total Gallons Sold	17,450,000	---
		35	Line Loss or Unaccounted-for Water	512,000	---
		36	% Line Loss or Unaccounted-for Water	2.85%	---
		37	Total amount of sewer treated (gallons)	0	0

12 Months Ending December 31, 2021

**SYSTEM IMPROVEMENT CHARGE—WATER**

Did the reporting entity collect a System Improvement Charge (SIC) in the monitoring period?  
NO

(a) provide the amount of the Commission-approved SIC, Docket No., and date of implementation.

(b) provide the amount of annual revenues collected through the SIC for the reporting period.

(c) provide the amount of the annual revenues stated in the most recent annual report that was filed in the docket approving the SIC.

(d) provide the amount of the revenues collected through the SIC during the current monitoring period stated as a percentage of the annual revenues referenced in (c) above.

(e) provide the cumulative amount of revenues collected through the SIC since implementation as a percentage of the annual revenues referenced in (c) above.

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**SYSTEM IMPROVEMENT CHARGE—SEWER**

Did the reporting entity collect a System Improvement Charge (SIC) in the monitoring period?  
NO

(a) provide the amount of the Commission-approved SIC, Docket No., and date of implementation.

(b) provide the amount of revenues collected through the SIC for the reporting period.

(c) provide the amount of the annual revenues stated in the most recent annual report that was filed in the docket approving the SIC.

(d) provide the amount of the revenues collected through the SIC during the current monitoring period stated as a percentage of the annual revenues referenced in (c) above.

(e) provide the cumulative amount of revenues collected through the SIC since implementation as a percentage of the annual revenues referenced in (c) above.

12 Months Ending December 31, 2021

Supplemental Schedule I-1  
05/25/22\_)

**OTHER EXPENSES**

(Except for blue cells, the values in this table will populate)

Line	Description	Total Company	Total Water	Total Sewer
1		\$0	\$0	\$0
2		0	0	0
3		0	0	0
4		0	0	0
5		0	0	0
6		0	0	0
7		0	0	0
8		0	0	0
9		0	0	0
10		0	0	0
11		0	0	0
12		0	0	0
13		0	0	0
14		0	0	0
15		0	0	0
16		0	0	0
17		0	0	0
18		0	0	0
19		0	0	0
20		0	0	0
21				
22	Total Other Expenses	\$0	\$0	\$0

12 Months Ending December 31, 2021

**SIGNATURE PAGE--PUC CLASS D ANNUAL REPORT**

I certify that I am the responsible official of the above-named company and that I have examined the foregoing report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and correct and the said report is a correct statement of the business and affairs of the above-named company with respect to each and every matter set forth therein for the 12 Months Ending December 31, 2021

5/25/2022

Date

\_\_\_\_\_  
Signature

OFFICE MANAGER

Title

[LEGAL NAME OF ENTITY]

12 Months Ending December 31, XXXX

**SIGNATURE PAGE--PUC CLASS D ANNUAL REPORT**

I certify that I am the responsible official of the above-named company and that I have examined the foregoing report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and correct and the said report is a correct statement of the business and affairs of the above-named company with respect to each and every matter set forth therein for the 12 Months Ending December 31, XXXX .

5/25/22  
Date

Hannah Kelly  
Signature

Office Manager, EHR  
Title

The following files are not convertible:

Schedules.xlsx

Copy of 52370 East Houston Staff

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