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Received - 2023-01-30 01:53:26 PM
Control Number - 53815
ItemNumber - 592

DOCKET NO. 53815

**APPLICATION OF CORIX UTILITIES
(TEXAS) INC. FOR AUTHORITY TO
CHANGE RATES**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**CORIX UTILITIES (TEXAS) INC.'S
RESPONSE TO STAFF'S SEVENTH REQUEST FOR INFORMATION**

Corix Utilities (Texas) Inc. ("Corix") files this Response to the aforementioned requests for information.

I. WRITTEN RESPONSES

Attached hereto and incorporated herein by reference are Corix's written responses to the aforementioned requests for information. Each such response is set forth on or attached to a separate page upon which the request has been restated. Such responses are also made without waiver of Corix's right to contest the admissibility of any such matters upon hearing. Corix hereby stipulates that its responses may be treated by all parties exactly as if they were filed under oath.

Respectfully submitted,



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**ATTORNEYS FOR CORIX UTILITIES
(TEXAS) INC.**

CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of January 2023, notice of the filing of this document was provided to all parties of record via electronic mail in accordance with the Order Suspending Rules, issued in Project No. 50664.


Wendy K. L. Harvel

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CORIX UTILITIES (TEXAS) INC.'S RESPONSE TO
COMMISSION STAFF'S SEVENTH REQUEST FOR INFORMATION

STAFF 7-1

Please reference the Sludge Removal expense in Schedule II-3 Operating Expenses of the application. Please provide a detailed explanation as to why these expenses have decreased from \$180,173 at the end of test year September 30, 2019, to \$892 at the end of test year March 31, 2022.

RESPONSE:

The test year ending 2022 included a \$20,000 credit related to the reclassification of wastewater line maintenance as a deferred expense (reference response to Staff 1-11). In addition, Corix purchased a sludge hauling truck to haul sludge when feasible, decreasing or eliminating the sludge hauling expense in Matagorda Dunes, Alleyton, McKinney Roughs and Windmill Ranch. Also, sludge hauling expense in the amount of approximately \$14,000 was inadvertently booked to plant maintenance, rather than sludge hauling, during the test year ended 2022 (please also refer to the response to Staff 7-7).

Preparer: Mary Blincoe, Senior Financial Analyst, Corix Utilities (Texas) Inc.
Sponsor: Scott Ahlstrom, Director of Operations for Corix Utilities (Texas) Inc.

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CORIX UTILITIES (TEXAS) INC.'S RESPONSE TO
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STAFF 7-2

Please reference the Purchased Power - wells, booster pumps expense in Schedule II-3 Operating Expenses of the application. Please provide a detailed explanation as to why these expenses have decreased from \$439,917 at the end of test year September 30, 2019, to \$379,687 at the end of test year March 31, 2022.

RESPONSE:

The decrease in expenses is primarily a result of timing differences in the payment of utility bills during the selected periods. In addition, Corix made a concerted effort towards the end of 2019 to establish tax exempt status regarding Corix's purchased utility services, which lowered some of its expenses for this account during the test year compared to the test year in Docket No. 50557.

Preparer: Mary Blincoe, Senior Financial Analyst, Corix Utilities (Texas) Inc.
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STAFF 7-3

Please reference the Chemicals and other volume related expenses in Schedule II-3 Operating Expenses of the application. Please provide a detailed explanation as to why these expenses have decreased from \$158,627 at the end of test year September 30, 2019, to \$113,833 at the end of test year March 31, 2022.

RESPONSE:

The primary reasons for the decrease in chemical expenses are that in the test year ending September 30, 2019 there was a bulk order of aluminum chlorohydrate for use in the Lometa water system that did not occur in the test year ending March 31, 2022. Additionally, the Camp Swift membrane bioreactor plant was down for repairs, maintenance, and process improvements for several months during the test year ending March 31, 2022, thus lowering the chemical costs at that facility significantly during the test year.

Preparer: Mary Blincoe, Senior Financial Analyst, Corix Utilities (Texas) Inc.
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STAFF 7-4

Please reference the Employee Labor (non-administrative) expense in Schedule II-3 Operating Expenses of the application. Please provide a detailed explanation as to why these expenses have decreased from \$1,635,207 at the end of test year September 30, 2019, to \$1,540,464 at the end of test year March 31, 2022.

RESPONSE:

The line item for Employee Labor (non-administrative) expense included 26 employees in the test year ended March 31, 2022 compared to 34 employees in the test year ended September 30, 2019. In addition, the test year ending September 30, 2022, three regional managers who were in the non-administrative line item in 2019 were classified to management in 2022. Another three employees who were in the non-administrative line item in the test year ending September 30, 2019, were classified as office salaries in 2022. Please refer to Confidential Schedule II-7(a) in both dockets for detail on individual salaries and employees in each category.

Preparer: Mary Blincoe, Senior Financial Analyst, Corix Utilities (Texas) Inc.
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STAFF 7-5

Please reference the Contract Work expense in Schedule II-3 Operating Expenses of the application. Please provide a detailed explanation as to why these expenses have increased from \$171,455 at the end of test year September 30, 2019, to \$899,601 at the end of test year March 31, 2022.

RESPONSE:

The increase in Contract Work expense is due to an increase in laboratory testing costs and due to the booking of all allocated affiliate costs from Corix Infrastructure, Inc. ("CII") and Water Service Corporation ("WSC") into this line item in the test year ended 2022.

In 2019, WSC provided overhead support services to the US regulated companies. WSC costs were allocated and booked to multiple accounts (computer maintenance, office utilities & maintenance, salary & benefits, rent, insurance, etc.). Additionally, CII provided corporate support services to the entire Corix company structure. In 2019, CII expenses were booked to the corporate allocation account included in "Contract Work" accounts. In 2020, Corix implemented a new accounting and human resource Enterprise Resource Planning ("ERP") system called Fusion, which merged the multiple ERP systems used across all the Corix companies. Fusion allowed the corporate support services of both WSC and CII to be combined and streamlined to provide support to all Corix operations. As a result of merging all support services into a single entity, WSC expenses were allocated over a broader base of the company, resulting in allocation savings for Texas ratepayers. After 2020, the combined support service costs for both WSC and CII were allocated using only the corporate allocation accounts which are included in the "Contract Work" accounts. This accounting change resulted in all the legacy accounts used for WSC (computer maintenance, office utilities & maintenance, salary & benefits, rent, insurance, etc.) being combined into a single account. While contract work (via the corporate allocation account) increased during the current Test Year versus 2019, it is important to note that all the previous accounts used for WSC costs experienced corresponding decreases. Please see workpaper "w/p i" in the filing template for a detailed reconciliation of CII and WSC allocated support service costs.

Preparer: Phil Drennan, Director of Financial Planning and Analysis, Corix Utilities (Texas) Inc.
Sponsor: Scott Ahlstrom, Director of Operations for Corix Utilities (Texas) Inc.

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CORIX UTILITIES (TEXAS) INC.'S RESPONSE TO
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STAFF 7-6

Please reference the Transportation expense in Schedule II-3 Operating Expenses of the application. Please provide a detailed explanation as to why these expenses have increased from \$223,078 at the end of test year September 30, 2019, to \$381,778 at the end of test year March 31, 2022.

RESPONSE:

The following factors contributed to the increase in transportation expenses in the test year ending March 31, 2022 as compared to the test year ending September 30, 2019. Fuel cost increases, including the known and measurable adjustment described in Mr. Kersey's testimony, account for most of the increase. Corix also had more vehicles during this test year, including the sludge hauling truck referenced in the response to Staff RFI 7-1, which also resulted in higher expense.

Preparer: Mary Blincoe, Senior Financial Analyst, Corix Utilities (Texas) Inc.
Sponsor: Phil Drennan, Director of Financial Planning and Analysis, Corix Utilities (Texas) Inc.

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STAFF 7-7

Please reference the Other Plant Maintenance expense in Schedule II-3 Operating Expenses of the application. Please provide a detailed explanation as to why these expenses have increased from \$230,484 at the end of test year September 30, 2019, to \$471,283 at the end of test year March 31, 2022.

RESPONSE:

In addition to inflationary pressures, increased plant maintenance expenses were due to repairs, preventative maintenance, and a power outage. For example, in the Northeast Washington County system, Corix experienced several leaks requiring extensive repairs (\$90,000); in the Camp Swift system, Corix experienced increased costs associated with working to eradicate a wild hog population that was causing damages to the system (\$15,000), as well as costs associated with multiple line breaks in that area (\$20,000) and equipment repairs to an irrigation pump, a pump at Lift Station 1, a blower, electric work at lift station 4, and a skid steer (approximately \$15,000). In the Windmill Ranch system, Corix incurred unexpected expenses due to a power outage at Bluebonnet Electric Cooperative (\$35,000). Additionally, Corix repaired its lift station, pump, UV system and office air conditioning unit (roughly \$15,000). Corix also recently implemented work management tools that aid in Corix's preventative maintenance program by allowing Corix to perform more regular necessary routine maintenance tasks, which result in higher maintenance costs across its systems.

Also, Corix incurred approximately \$14,000 in sludge hauling expense that was inadvertently booked to this category of expenses but should have been booked to sludge hauling expense. See the Company's response to Staff RFI 7-1.

Preparer: Scott Ahlstrom, Director of Operations for Corix Utilities (Texas) Inc.
Sponsor: Scott Ahlstrom, Director of Operations for Corix Utilities (Texas) Inc.