

Here, a fixed fee was billed for Mr. D'Ascendis's expert services, and the preponderance of evidence shows that such fixed-fee arrangements are not only common but that the amount in question is less than what the Company has been charged for similar testimony in other states, as calculated on an hourly basis. Additionally, the amount in question is less than what the Company's other consultant charged for expert services in this proceeding, which Staff did not dispute.³⁰⁴

However, the evidence supporting the \$25,000 is nothing more than a line-item on a list of expenses.³⁰⁵ Without so much as a contract or affidavit detailing the specific information requested by Rule 24.44(b), the ALJs cannot independently verify that the fixed-fee agreement is reasonable under Rule 24.44(a). Accordingly, the ALJs conclude that CSWR-Texas did not meet its burden to prove that the \$25,000 fixed fee represents reasonable and necessary rate case expenses and recommend that the expense be disallowed.

Because no party challenged any other rate case expenses presented by the Company, and because Staff recommended that the updated rate case expense report submitted with the Company's reply brief be used for number-running purposes, the ALJs find the Company's remaining updated rate case expenses

³⁰⁴ CSWR-Texas Reply Brief at Attachment A (the ALJs concluded this by adding together all the expenses charged by NewGen Strategies and Solutions, LLC to the Company, which totaled over \$50,000).

³⁰⁵ Staff Ex. 3 (Eiland Dir.), Attachment KE-12.

reasonable and recommend they be approved. In sum, the ALJs recommend approval of \$459,367 in rate case expenses.³⁰⁶

B. RECOVERY MECHANISM

CSWR-Texas's request to recover its approved rate case expenses through a surcharge implemented over a 24-month period is uncontested. Staff's recommendation that the approved rate case expense amount should be divided among 8,303 connections, including those connections associated with the Leon Springs and Shady Grove sewer facilities, is also uncontested.³⁰⁷ Accordingly, the ALJs conclude these requests are reasonable and recommend they be approved.

Additionally, Staff's recommendation that CSWR-Texas book a regulatory asset for rate case expenses incurred after filing its reply brief and request recovery of those trailing rate case expenses in its next comprehensive base-rate proceeding is uncontested.³⁰⁸ The ALJs conclude this request is reasonable and recommend it be approved.

³⁰⁶ $\$484,367 - \$25,000 = \$459,367$.

³⁰⁷ Staff witness Ms. Eiland explained that this proceeding applies to the rates associated with those systems and it is appropriate to include their connection counts in the total count used to determine the amount of rate case expense surcharge by connection. Staff Ex. 3 (Eiland Dir.) at 27-28.

³⁰⁸ Staff Ex. 3 (Eiland Dir.) at 28.

XII. OPUC’S PHASED-IN RATES PROPOSAL

A. OPUC’S POSITION

One condition of OPUC’s support for the Company’s requested consolidation is that the new, approved rates are phased in to mitigate rate shock amongst the customers.³⁰⁹ OPUC stresses that although the Company’s requested consolidation is reasonable and appropriate, the pace at which it proposes to recover its costs is not.³¹⁰ Additionally, OPUC contends that because “the rates charged during the phase-in period are not directly based on cost-of-service,” implementing such an approach would alleviate the concerns about setting rates with incomplete test-year data, while providing a plan to bring rates up to cost-of-service levels within a reasonable period of time.³¹¹

OPUC witness Garrett testified that, based on his experience, “a rate increase of 10% or more causes rate shock for customers” and that, in this case, “many customers on the acquired systems would experience acute rate shock.”³¹² Specifically, he noted that if CSWR-Texas’s request for consolidation and the proposed revenue requirements are approved, the Company’s water service customers would experience changes in their monthly bills ranging from an 11%

³⁰⁹ Staff presents no position to OPUC’s recommended phased-in rate plan. Staff Reply Brief at 20.

³¹⁰ OPUC Initial Brief at 12.

³¹¹ OPUC Initial Brief at 12.

³¹² OPUC Ex. 1 (Garrett Dir.) at 28.

decrease to a 717% increase at the 5,000-gallon monthly usage level, and the sewer service customers would experience changes ranging from an 11% to 331% increase.³¹³

To mitigate the anticipated rate shock, Mr. Garrett recommends that customers be given the opportunity to adjust their budgets, adjust their usage levels, or even change their addresses as needed in response to such dramatic increases in the cost of utility service.³¹⁴ To facilitate this adjustment, he proposes that the requested rate increase be phased in over a period of years whereby customers would experience an annual increase of no more than \$10 per month to their average monthly bill.³¹⁵ Under this approach, Mr. Garrett stated that a large majority of the Company's customers would be paying the full consolidated rate by the fifth year after implementation of the new rates but that some systems would take "a little longer." He suggested the Company could file a rate case after the fifth or sixth year to then bring all systems under a uniform rate.³¹⁶

However, for the first time in its post-hearing briefing, OPUC deviates from Mr. Garrett's proposal and recommends a revised three-year phase-in plan. OPUC provided an example of what its revised phase-in would look like under both the Company's proposed consolidated rates and OPUC's proposed consolidated rates

³¹³ OPUC Ex. 1 (Garrett Dir.) at 21, 23-24, 26, Exhs. MG-3.3.A.WP and MG-3.3.B.WP. Mr. Garrett testified that the Company is proposing an 89% increase to its revenue requirement for water service and a 108% increase to its revenue requirement for sewer service. *See* Company-provided workpaper entitled "Sched WPs - Rate Filing Supporting Schedules by System," tab "Water," Cell E90 and tab "Sewer," Cell E90.

³¹⁴ OPUC Ex. 1 (Garrett Dir.) at 29.

³¹⁵ OPUC Ex. 1 (Garrett Dir.) at 30, 32-33.

³¹⁶ OPUC Ex. 1 (Garrett Dir.) at 31.

(adjusted based on OPUC's revenue requirement changes). Using the Company's proposed rates, the water customers taking 5,000 gallons would experience a \$12.94 increase in their monthly bills for three years while, under OPUC's proposed rates, those customers would experience an \$11.14 increase in their monthly bills for those years.³¹⁷

As an example of prior Commission-approved phase-in plans, OPUC refers to the settlement agreements in Docket Nos. 50944 and 50200, wherein the parties agreed to phase in new rates over several years.³¹⁸ While acknowledging those settlements do not convey Commission precedent, OPUC argues the Commission has the authority to order such a phase-in approach in the current case to make sure the Company is charging a just and reasonable rate.³¹⁹

B. CSWR-TEXAS'S ARGUMENTS

CSWR-Texas opposes both OPUC's initial and its revised three-year phased-in approaches. The Company asserts that while it shares OPUC's concerns about rate shock, it has performed empirical analyses to ensure the proposed rates are affordable and those concerns will be addressed by the Company's requested

³¹⁷ OPUC Initial Brief at 14-15.

³¹⁸ OPUC Ex. 1 (Garrett Dir.) at 31-32. In *Undine*, the parties agreed to phase in rates over a 3-year period, with a 17.3% increase in base rates in Year 2 and a 14.8% increase in Year 3. In *Monarch*, the parties agreed to phase-in rates for numerous systems over varying timeframes ranging from three to seven years. *See Application of Undine Texas, LLC and Undine Texas Environmental, LLC for Authority to Change Rates*, Docket No. 50200, Order (Nov. 5, 2020); *Application of Monarch Utilities I L.P. for Authority to Change Rates*, Docket No. 50944, Order (Feb. 23, 2022).

³¹⁹ *See* TWC § 13.182(a).

consolidation.³²⁰ As addressed above, Mr. Ekrut's analysis of the Company's proposed rates shows that the average customer bill for each of the consolidated water and sewer systems' rates will remain below the 2.5% level of MHI and is therefore affordable.³²¹ Conversely, the Company argues OPUC offered no empirical evidence that the consolidated rates are unaffordable or that its revised three-year phase-in plan is necessary to prevent rate shock.

Furthermore, as Mr. Ekrut testified, the Company's requested consolidation will act as a form of rate mitigation for the customers most affected by the increased rates.³²² Moreover, CSWR-Texas notes that if its proposed consolidated rates are approved, its customers' average bills would be lower than the approved rates in recent water rate applications, including Docket No. 50200.³²³

Finally, the Company asserts that certain customers have benefited from rate mitigation for many years as certain systems have been charging inadequate rates.³²⁴ By proposing phased-in rates, the Company argues that OPUC is unreasonably

³²⁰ Tr. at 54-57, 87-88; *see, e.g.*, CSWR-Texas Ex. 8 (Ekrut Dir.), Exh. CDE-16.

³²¹ CSWR-Texas Ex. 8 (Ekrut Dir.) at 34-35, Exh. CDE-16.

³²² Tr. at 57, 88. Mr. Ekrut reasoned that under the Company's requested consolidation, the costs for all of the systems, even the ones with the highest rehabilitation costs, will be spread out over more customers, and thus it brings the overall rate result of the increase down for all customers.

³²³ This comparison was based on the water rate for 5,000 gallons. The ALJs take official notice of the tariffs in the following dockets: *Application of Corix Utilities (Texas), Inc. for Authority to Change Rates*, Docket No. 50557, Order and Clean Copies of Water and Sewer Tariffs (Sept. 29 and Oct. 11, 2021); *Application of Undine Texas, LLC and Undine Texas Environmental, LLC for Authority to Change Rates*, Order and Memo with Water and Undine Sewer Tariffs (Nov. 5 and 16, 2020).

³²⁴ Tr. at 192-93 (Confidential); CSWR-Texas Ex. 11 (Cox Reb.) at 8; CSWR-Texas Ex. 8 (Ekrut Dir.) at 7-8 (testifying that Big Wood Springs system has not had a rate increase since 1990).

asking CSWR-Texas to continue to delay recovery of the massive investments in water quality and water safety that it has put into these systems. The Company stresses that because it is operating at a loss, it cannot continue to subsidize the rates of those customers who have been historically charged inadequately low rates by the systems' former owners.³²⁵ For example, Mr. Cox explained that if OPUC's initial phase-in plan was adopted for both water and wastewater systems, the Company would have to absorb approximately \$8 million in additional operating costs until the rates are fully implemented.³²⁶

C. ALJs' ANALYSIS

It is uncontested that many of the systems subject to this proceeding have been neglected and require significant infusions of capital to rehabilitate, and that certain customers have been and are currently being charged inadequate rates that do not account for the systems' actual cost of service. Thus, for the Company to properly recover its cost of service through rates for those systems, the rates will have to increase. Moreover, the evidence shows that while the Company's requested consolidated rates may result in a relatively high percentage increase for some systems, the rates are ultimately affordable and just and reasonable.

The ALJs conclude that OPUC's decision to shorten its proposed phase-in plan to three years demonstrates OPUC's acknowledgement that its initial phase-in

³²⁵ CSWR-Texas Reply Brief at 27.

³²⁶ Tr. at 32-33; Tr. at 190 (Confidential); CSWR-Texas Ex. 11 (Cox Reb.) at 19, Exh. JC-R-2. The ALJs calculated the approximate \$8 million figure by adding together the total figures of potential revenue lost due to OPUC's proposed phased-in plan for both water service (\$5,623,358.16 as noted in Column W, Line 46) and wastewater service (\$2,221,186.56 as noted in Column R, Line 14).

plan was unreasonable. While the shorter, revised plan would presumably impact the Company to a lesser degree, the ALJs find that insufficient evidence was presented to prove that a phase-in plan, of any length, is necessary or warranted in this instance, especially when considering the impact of the ALJs' recommended adjustments to ROE and cost of debt discussed above, which are reductions from what the Company requested. In sum, the ALJs conclude that while rate shock is a valid concern, OPUC's proposal would result in the Company delaying the recovery of millions of capital investment dollars expended to rehabilitate systems by perpetuating inadequate rates, which does not advance the policy that rates be just and reasonable "to the consumers *and* to the retail public utilities."³²⁷ Accordingly, the ALJs recommend denying OPUC's initial and revised phase-in proposals.

XIII. ESTABLISHMENT OF BENCHMARKS FOR FUTURE INTERIM RATE ADJUSTMENTS

No party challenged the Company's request that the Commission establish all necessary cost-of-service baselines based on the final approved cost of service and rates in this proceeding so that the Company may take advantage of any available interim rate adjustment mechanisms between now and its next rate case. Accordingly, the ALJs recommend the Commission grant the Company's request.

³²⁷ TWC § 13.001(c).

XIV. CONCLUSION

The ALJs recommend the Commission implement their recommendations and findings set forth in the discussion above by adopting the following FoFs, CoLs, and proposed ordering paragraphs in the Commission's final order.

XV. FINDINGS OF FACT

Applicant and Background

1. CSWR-Texas Utility Operating Company, LLC (CSWR-Texas or Company) is a Texas limited liability company registered with the Texas Secretary of State under file number 803367893.
2. CSWR-Texas holds certificate of convenience and necessity (CCN) number 13290, which obligates it to provide retail water service in its certificated service areas in Angelina, Aransas, Austin, Burleson, Burnet, Calhoun, Camp, Denton, Ellis, Erath, Gillespie, Guadalupe, Harris, Hays, Hidalgo, Hood, Jackson, Kerr, Limestone, Llano, Lubbock, McCulloch, Montague, Montgomery, Navarro, Orange, Parker, Polk, Robertson, Sabine, San Augustine, Victoria, Wilson, and Wood counties.
3. CSWR-Texas holds CCN number 21120, which obligates it to provide retail sewer service in its certificated service areas in Aransas, Bexar, Calhoun, Hidalgo, Hood, Jackson, Lubbock, Navarro, Orange, Parker, and Polk counties.
4. CSWR-Texas operates several public water systems registered with the Texas Commission on Environmental Quality (TCEQ) and several sewer systems permitted with the TCEQ.
5. As of December 31, 2022, CSWR-Texas provided for compensation potable water service to approximately 7,106 connections under CCN number 13290 and sewer service to approximately 2,753 connections under CCN number 21120.

6. Since entering the Texas market in December 2020, the Company has acquired numerous water and wastewater systems, some at the behest of the Public Utility Commission of Texas (Commission) or other state agencies.

Application

7. On February 3, 2023, CSWR-Texas filed a Class B Water and Sewer Rate Filing Package (Application) with the Commission seeking authority to change rates.
8. The Application represents the Company's first ever comprehensive rate filing before the Commission.
9. The Application used the 12-month period ending December 31, 2022, as the historical test year, adjusted for known and measurable changes.
10. As part of the Application, CSWR-Texas seeks to consolidate 62 water systems under a single water rate tariff and 12 wastewater systems under a single wastewater tariff.
11. CSWR-Texas seeks an annual revenue requirement of \$7.4 million in water revenue and \$2.3 million in wastewater revenue, totaling an overall \$9.7 million.
12. CSWR-Texas's requested water revenue requirement represents an increase of \$3.6 million over adjusted test year revenues.
13. CSWR-Texas's requested wastewater revenue requirement represents an increase of \$1.2 million over adjusted test year revenues.
14. CSWR-Texas requested an overall rate of return of 9.62%.
15. CSWR-Texas also requested approval of varying pass-through charges for some of its water and wastewater systems.
16. In Commission Order No. 3, issued on March 30, 2023, the Commission Administrative Law Judge (ALJ) found the Application administratively complete and suspended the Company's requested effective date to either the earlier of 265 days or until interim rates are approved.

17. The Company's suspended effective date is November 30, 2023.

Notice of the Application

18. On February 3 and March 10, 2023, CSWR-Texas provided notice by first class mail to each customer or other affected party.
19. No party challenged the adequacy of the notice provided by CSWR-Texas, and staff (Staff) of the Commission recommended that the Company's notice of the Application be deemed sufficient.
20. In Commission Order No. 3, the Commission ALJ found CSWR-Texas's notice of the Application sufficient.

Interventions and Protests

21. More than 10% of the ratepayers affected by the proposed rate increases filed protests in this docket.
22. The 316 intervenors granted party status in this proceeding are listed in Commission Order Nos. 2, 4, 5, and 6, issued on February 24, and April 11, 12, and 13, 2023, respectively, and State Office of Administrative Hearings (SOAH) Order Nos. 1, 3, and 4 issued on May 17, June 27, and July 12, 2023, respectively.
23. SOAH Order No. 3 aligned the intervenors by water or wastewater system, and SOAH Order No. 4 assigned a designated representative to each aligned group.
24. SOAH Order No. 5, issued on August 1, 2023, dismissed all but 16 intervenors for failure to participate in the proceeding because neither they nor their designated representative filed testimony or a statement of position by the deadline established in SOAH Order No. 3.
25. The remaining intervenors are: Robert Hill and Bob Ellenberger, designated representatives for Quiet Village II; Jennifer Washburn, designated representative for Emerald Forest; Heather Thompson, designated representative for Treetop; Melissa Allred, designated representative for Spanish Grant; Barry Wolf, designated representative for Settlers Estates;

LaDonna Turner, designated representative for Grande Casa; Jim Rieber; Alison Rieber; Curtis Quarles; Andrew Clogg; Thuy Howeth; Kim Hilmer; Heather Baughman; Dominion Homeowners Association; and the Office of Public Utility Counsel (OPUC).

Referral to SOAH

26. On May 9, 2023, the Commission referred the Application to SOAH, and two days later the Commission issued its preliminary order identifying 62 issues to be addressed in this proceeding.
27. On May 25, 2023, the Commission issued its supplemental preliminary order regarding a threshold issue and adding additional issues on fair market value acquisition adjustments.
28. The hearing on the merits convened by videoconference on September 7, 2023, and concluded the same day.
29. The SOAH ALJs admitted exhibits offered by CSWR-Texas, Staff, OPUC, and Mr. Hill on behalf of Quiet Village II. Dominion Homeowners appeared at the hearing but did not offer any exhibits.
30. No other party appeared at the hearing and offered exhibits.
31. On September 22, 2023, CSWR-Texas, Staff, and OPUC filed initial post-hearing briefs.
32. The record closed on September 29, 2023, with the filing of reply briefs by CSWR-Texas, Staff, and OPUC.

Interim Rates

33. On September 8, 2023, CSWR-Texas, Staff, and OPUC (collectively, Movants) filed an uncontested motion to establish interim rates effective November 30, 2023, to be set at the level determined in the Proposal for Decision (PFD).

34. The SOAH ALJs granted the Movants' request and therefore the rates recommended in the PFD were effective on an interim basis beginning November 30, 2023.

Consolidation of Systems

35. Consolidation of systems can create economies of scale and larger customers bases so that customers can afford the benefits and share the costs of being served by a more capable utility.
36. On June 2, 2023, the Legislature repealed Texas Water Code (TWC) section 13.145 (Section 13.145), which set forth the substantial similarity standard for consolidating multiple systems under a single tariff.
37. The repealed Section 13.145 does not apply to the Company's request to consolidate the systems identified in the Application.
38. The cost to serve customers via small, standalone, rural, community-based water and wastewater systems is higher on a per-meter basis than for larger systems within CSWR-Texas's service area.
39. The majority of the water and wastewater systems the Company seeks to consolidate will have lower rates on a consolidated basis compared to a standalone system basis.
40. The affordability of service under a singular function (e.g., water or wastewater service) can be measured by whether the average customer bill exceeds 2% to 2.5% of the Median Household Income (MHI). Generally, if a service does not exceed those percentages, it is considered affordable.
41. If consolidated, all of the water and wastewater systems identified in the Application will have an average monthly customer bill for 5,000 gallons of water or wastewater service that does not exceed 2.5% of the MHI. The average monthly bills for all but six systems will be under 2.0% MHI.
42. On a standalone basis, if not consolidated, the average customer bill for 5,000 gallons of water or wastewater service would exceed 2.5% of MHI for 13 of the systems subject to this proceeding.

43. Consolidation of the requested systems is in the public interest because it promotes affordability and mitigates rate impacts to customers over the short-term and long-term.
44. Consolidation of the requested systems reduces the need for frequent, complicated, and expensive rate cases, further promoting affordability to customers and conserving governmental resources.
45. Consolidation of the requested systems is in the public interest and would produce just and reasonable rates for the customers of each consolidated system.
46. Consolidation of the requested systems aligns with the Commission's objective to expedite the acquisition, consolidation, and improvement of distressed water and sewer utilities and promotes conservation.

Annualization of Test-Year Data

47. CSWR-Texas acquired 36 of the systems identified in the Application during the test year and therefore did not have a full 12 months of historical operational data for those systems.
48. To account for the lack of test-year data and to reflect a full year's worth of expenses for each of those systems, the Company annualized the data it did have available for those systems' fixed and variable costs at the time it filed the Application to determine each system's annual revenue requirement.
49. In rebuttal testimony, the Company updated its annualized data for those systems with an additional six months of actual operating expense data and validated the accuracy of its annualized data. The updated data showed the Company's actual costs were only 1% higher than the annualized amounts included in the Application.
50. Staff previously calculated a water utility's revenue requirement based on annualized test year in Docket No. 50200, and the Commission previously approved a revenue requirement for an electric utility based on annualized data in Docket No. 52828.

51. No party challenged the accuracy of the Company's annualized data or its subsequent analysis showing that the annualization was within 1% accuracy of the Company's actual operating costs.
52. CSWR-Texas's annualization adjustments are an appropriate known and measurable change and should be allowed.

Cost of Service

53. CSWR-Texas's requested allowable expenses are reasonable and necessary and should be approved.
54. No party recommended any specific disallowances to CSWR-Texas's requested operations and maintenance expenses.
55. No party challenged CSWR-Texas's requested depreciation rates and expense, tax expense, or affiliate expense except as flow-through adjustments from other recommended changes.

Rate Base

56. CSWR-Texas's total rate base for the water systems identified in the Application is \$18,222,843, as set forth in Attachment A.
57. CSWR-Texas's total rate base for the wastewater systems identified in the Application is \$6,374,502, as set forth in Attachment A.
58. CSWR-Texas's requested rate base components are prudent and should be incorporated into rate base.
59. No party challenged the prudence of any specific item included in CSWR-Texas's requested invested capital.
60. Notwithstanding CSWR-Texas's requested acquisition adjustments, no party challenged the recovery of any specific item included in the Company's requested invested capital or transaction closing costs.
61. The rate base and ratemaking rate base approved in prior sale, transfer, or merger proceedings applicable to the Application were known in total at the conclusion of the test year.

62. The Company's requested rate base is prudent and should be approved.

Acquisition Adjustments

63. The Application includes the acquisitions of certain systems that were completed pursuant to the Fair Market Value (FMV) statute (TWC section 13.305) and implemented by the Commission under 16 Texas Administrative Code (TAC) section 24.238.
64. The ratemaking rate base for the FMV-acquired systems has already been determined by the Commission in prior dockets and is not subject to review as part of this proceeding.
65. The ratemaking rate base of the FMV-acquired systems is reasonable and should be included in CSWR-Texas's rate base.
66. CSWR-Texas proposed additional acquisition adjustments for systems it acquired outside the FMV process.
67. CSWR-Texas's acquisitions outside the FMV process were purchased for reasonable prices, the facilities are used and useful, and CSWR-Texas has made reasonable, prudent, and timely investments to bring the systems into compliance.
68. For the systems that the Company has acquired outside the FMV process, the Company has planned improvements for those systems that, once completed, will provide the customers with either higher quality or more reliable service, and the acquisition of those systems, notwithstanding any future consolidation, has already resulted in positive regionalization.
69. The net positive acquisition adjustments for the systems the Company acquired outside of the FMV process are reasonable and should be included in rate base.
70. It is reasonable that within 10 business days of the PFD the Company should file an update of its requested acquisition adjustments to clarify which systems were acquired through the FMV process and outside of that process and provide a corrected total acquisition adjustment amount that should be included in rate base, if applicable.

Transaction Closing Costs

- 71. No party challenged the recovery through rate base of CSWR-Texas's transaction costs incurred during the acquisition of the 62 water and 12 wastewater systems.
- 72. CSWR-Texas's acquisition transaction costs are reasonable and should be approved.

Rate of Return

Return on Equity

- 73. A reasonable range for the Company's return on equity (ROE) is 9.16% - 9.90% and would allow the Company to earn a reasonable return on its invested capital.
- 74. The range of reasonable ROE rates applicable to the Company should be adjusted upwards by 0.50% in recognition of the Company's business risk in acquiring numerous distressed systems. This adjustment revises the Company's reasonable ROE range to 9.66% - 10.40%.
- 75. An ROE of 10.03% is reasonable and should be approved.

Cost of Debt

- 76. CSWR-Texas has been unable to acquire debt financing for its Texas operations.
- 77. The cost of debt for Baa-rated utilities in 2023 is 5.60%.
- 78. CSWR-Texas's affiliates in Louisiana, Missouri, and Kentucky have acquired an actual weighted effective cost of debt of 6.52%.
- 79. CSWR-Texas's affiliates have the same business model as CSWR-Texas and share a similar risk profile.
- 80. CSWR-Texas anticipates that once it is charging fully compensatory rates, it will be likely to be able to acquire debt financing in the future.

81. If rated, the Company would not qualify for a Baa rating but rather the Company would likely pay a premium for debt like its affiliates in other states.
82. A 6.06% cost of debt for the Company is reasonable and should be approved.

Capital Structure

83. Because CSWR-Texas does not carry any debt, it proposed a hypothetical capital structure of 45% debt and 55% equity.
84. CSWR-Texas does not oppose Staff's proposed hypothetical capital structure of 48% debt and 52% equity.
85. A capital structure for the Company of 48% debt and 52% equity is reasonable and should be adopted.

Overall Rate of Return

86. CSWR-Texas's overall rate of return should be as follows:

Component	Cost	Weighting	Weighted Cost
Debt	6.06%	48%	2.91%
Equity	10.03%	52%	5.22%
Overall			8.13%

Rate Design

87. CSWR-Texas proposes to utilize a two-part water rate consisting of a fixed monthly charge, which increases based on meter size, and a uniform volumetric rate applied per 1,000 gallons of usage.
88. CSWR-Texas proposes a flat, system-wide monthly sewer rate for all customers.
89. CSWR-Texas does not oppose Staff's recommendation to use the Commission's standard meter equivalent ratios (MERs).
90. The Company's proposed consolidated rates, as modified to incorporate Staff's MERs recommendation and the ALJs' recommendations set forth in the PFD, are reasonable and should be adopted.

Pass-Through Provisions

91. The pass-through provisions requested by the Company are intended to reflect the gallonage charge of the applicable pass-through entity or source supplier and an estimated amount of line losses associated with that gallonage supply.
92. No party challenged the Company's requested pass-through provisions for the following systems and therefore they are reasonable and should be approved:

Laguna Ocho / M&I	Emergency Purchased Wholesale Treated Water	Laguna Tres Laguna Vista	\$1.90 per 1,000 gallons
City of Lubbock	Purchased Wholesale Treated Water	Franklin Water Systems 1 Franklin Water Systems 3	\$0.57 per 1,000 gallons

93. The Company's requested pass-through provisions for the following systems reflect the actual costs charged by the pass-through entities and should be approved:

Prairielands Groundwater Conservation District	Groundwater Production Fees	Emerald Forest Grande Casa Ranchitos Lakeview Ranchettes Estates Spanish Grant (Formerly Carroll Water Company)	\$0.24 per 1,000 gallons
North Harris County Regional Water Authority	Groundwater Production Fees	Tall Pines Utility	\$5.41 per 1,000 gallons

94. The Company proved that its request to establish the following pass-through provision for the following systems is reasonable and should be approved:

Upper Trinity Groundwater Conservation District	Groundwater Production Fees	Hilltop Home Addition Hilltop Estates (Formerly Abraxas) Laguna Tres Laguna Vista Treetops Phase I	\$0.25 per 1,000 gallons
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95. The Company did not prove that its requested pass-through provisions for the following systems are reasonable and therefore the existing provisions for these systems should remain in place:

Buena Vista Bethel Special Utility District	Emergency Purchased Wholesale Treated Water	Emerald Forest Grande Casa Ranchitos Lakeview Ranchettes Estates Spanish Grant (Formerly Carroll Water Company)
City of Rockport	Purchased Wholesale Treated Water	Copano Heights Unit 1 & 2

96. The Company did not prove that its request to establish pass-through provisions for the following systems are reasonable and therefore the Company's proposed pass-through provisions should not be approved:

Guadalupe County Groundwater Conservation District	Groundwater Production Fees	Oak Hills Ranch Estates Oak Hill Ranchettes
North Alamo Water Supply Corporation	Purchased Wholesale Treated Water	Quiet Village II
North Alamo Water Supply Corporation (City of Donna)	Purchased Wastewater Treatment from City of Donna (Billed through North Alamo Water Supply Corporation)	Quiet Village II
Upper Trinity Groundwater Conservation District	Groundwater Production Fees	WaterCo
City of Rockport	Purchased Wholesale Treated Water	Copano Cove Copano Ridge
Bi-County Water Supply Corporation	Emergency Purchased Wholesale Treated Water	Woodland Harbor (Formerly Alpha Utility)

97. For the systems listed in Finding of Fact No. 95, it is reasonable for the Company to collect the gallonage charge by the pass-through entity or source supplier.

Rate Case Expenses

98. CSWR-Texas requests recovery of \$484,367 in rate case expenses it has incurred in this proceeding.

99. The flat fee charge of \$25,000 for testimony from an outside expert witness on the Company's cost of capital was not reasonable because the Company did not submit sufficient information detailing and itemizing that expense.
100. It is reasonable for CSWR-Texas to recover \$459,367 in rate case expenses for this proceeding through a surcharge over 24 months, allocated amongst the customers of the systems identified in the Application and the Leon Springs and Shady Grove sewer facilities.
101. It is reasonable for CSWR-Texas to book a regulatory asset for any additional rate case expenses incurred after August 2023, and to request recovery of those trailing rate case expenses in its next comprehensive base-rate proceeding.

OPUC's Phased-In Rate Proposal

102. OPUC's proposals to phase in the Company's new rates over several years is unreasonable.
103. Consolidation of the systems identified in the Application sufficiently mitigates rate shock while ensuring customers are paying their actual cost of service.

XVI. CONCLUSIONS OF LAW

1. CSWR-Texas is a Class B utility, retail public utility, and water and sewer utility as defined in TWC sections 13.002(4-b), (19), and (23), and 16 TAC section 24.3(6), (31), and (38).
2. The Commission has jurisdiction over the Application pursuant to TWC sections 13.041, .042, .1871, and .305(g).
3. The Commission processed CSWR-Texas's Application in accordance with the requirements of the TWC, the Administrative Procedure Act (APA), and Commission rules.
4. CSWR-Texas provided sufficient notice of the Application in accordance with TWC section 13.1871, 16 TAC section 24.27(d)(1), and the APA.

5. SOAH exercised jurisdiction over this proceeding under TWC section 13.041(c-1) and Texas Government Code section 2003.049.
6. Notice of the hearing was given in compliance with 16 TAC section 24.27(d)(2) and Texas Government Code sections 2001.051-.052.
7. CSWR-Texas has the burden of proof to show that its proposed rate change is just and reasonable. TWC § 13.184(c); 16 TAC § 24.12.
8. The repealed TWC section 13.145 does not apply to the Company's request to consolidate the water and wastewater systems identified in the Application.
9. The standard that governs the Company's request for consolidation is whether the requested consolidated rates are just and reasonable; not unreasonably preferential, prejudicial, or discriminatory; and sufficient, equitable, and consistent in application to each class of consumers, in accordance with TWC section 13.182.
10. For the systems for which it had 12 months of historical operational data when it filed its Application, CSWR-Texas's annualization adjustments to test-year expenses are reasonable, known and measurable changes and are consistent with 16 TAC section 24.41(b).
11. For systems that were purchased during the test year and for which CSWR-Texas did not have 12 months of historical operational data when it filed its Application, CSWR-Texas's annualization adjustments to test year expenses are reasonable, known and measurable changes and are consistent with 16 TAC section 24.41(b), Commission precedent, and the Commission's Class A rate filing instructions.
12. CSWR-Texas's affiliate expenses are reasonable and comply with TWC section 13.185(e).
13. The ratemaking rate base approved by the Commission under TWC section 13.305 and 16 TAC section 24.238 for the Company's acquisition of systems under the FMV process is required to be incorporated into the Company's rate base. TWC § 13.305(g).

14. The net positive acquisition adjustment the Company's requests to recover for systems it acquired outside of the FMV process is reasonable under 16 TAC section 24.41(d)(1)(C)(i)-(ii).
15. As required by TWC section 13.183 and 16 TAC section 24.41(c)(1), the rates approved in this Order will permit CSWR-Texas a reasonable opportunity to earn a reasonable return on invested capital used and useful in rendering service to the public over and above the reasonable and necessary operating expenses, and will preserve CSWR-Texas's financial integrity.
16. An overall rate of return of 8.13% will not yield CSWR-Texas more than a fair return on the invested capital used and useful in rendering service to the public in accordance with TWC section 13.184(a).
17. CSWR-Texas's consolidated rates are just and reasonable; not unreasonably preferential, prejudicial, or discriminatory; and sufficient, equitable, and consistent in application to each class of consumers, in accordance with TWC section 13.182.
18. As set forth in TWC section 13.185(h), the rates approved by this Order do not include legislative advocacy expenses, costs of processing a refund or credit under TWC Subchapter F, or any expenditure that is unreasonable, unnecessary, or not in the public interest.
19. The rates approved in this Order comply with 16 TAC section 24.43(b)(1) regarding conservation.
20. The requirements to support changes to pass-through provisions as set forth in 16 TAC section 24.25(b)(2), including actual line loss data for the preceding 12 months, are instructive as to what is necessary for the proper calculation and review to determine the reasonableness of the Company's requested pass-through provisions.
21. It is reasonable for CSWR-Texas to recover rate case expenses totaling \$459,367 over 24 months through a per-customer bill surcharge for the systems identified in the Application and the Leon Springs and Shady Grove sewer facilities.

XVII. PROPOSED ORDERING PARAGRAPHS

In accordance with these Findings of Fact and Conclusions of Law, the Commission issues the following orders:

1. The Proposal for Decision issued by the ALJs is adopted to the extent consistent with this Order.
2. CSWR-Texas's request to consolidate the systems identified in the Application and for updated consolidated tariffs is approved to the extent consistent with this Order.
3. CSWR-Texas shall file tariffs consistent with this Order within 20 days of the date of this Order in *Compliance Tariff for Final Order in Docket No. 54565 (Application of CSWR-Texas Utility Operating Company LLC for Authority to Change Rates)*, Control No. _____. No later than 10 days after the date of the tariff filings, Staff shall file its comments recommending approval, modification, or rejection of the individual sheets of the tariff proposals. Responses to Staff's recommendation shall be filed no later than 15 days after the filing of the tariff. The Commission shall by letter approve, modify, or reject each tariff sheet, effective the date of the letter.
4. The tariff sheets shall be deemed approved and shall become effective on the expiration of 20 days from the date of filing, in the absence of written notification of modification or rejection by the Commission. If any sheets are modified or rejected, CSWR-Texas shall file proposed revisions of those sheets in accordance with the Commission's letter within 10 days of the date of that letter, and the review procedure set out above shall apply to the revised sheets.
5. Copies of all tariff-related filings shall be served on all parties of record.
6. CSWR-Texas may recover \$459,367 in rate case expenses incurred in this proceeding through a surcharge of \$_____ per connection per month for the customers of the systems identified in the Application and the Leon Spring and Shady Groves sewer facilities to be collected for 24 months or until the full amount is collected, whichever occurs first.

7. The approved surcharge for rate case expenses must be implemented in Docket No. ____, *Compliance Docket of CSWR-Texas Utility Operating Company, LLC Related to Rate Case Expense Surcharges in Docket No. 54565*.
8. CSWR-Texas may book a regulatory asset for any rate case expenses incurred after August 2023, and request recovery of those trailing rate case expenses in its next comprehensive base-rate proceeding.
9. The Commission denies all other motions and any other requests for general or specific relief that have not been expressly granted.

Signed November 28, 2023


Meaghan Bailey

Administrative Law Judge


Christiaan Siano

Administrative Law Judge

SOAH DOCKET NO. 473-23-18885.WS
PUC DOCKET NO. 54565
COMPANY NAME CSWR-Texas
TEST YEAR END December 31, 2022

ALJ Schedule I
Water Revenue Requirement

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	ALJ Adjustments To Company Request	ALJ Adjusted Total
	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
WATER REVENUE REQUIREMENT					
Operations and Maintenance	\$ 3,975,923	\$ 635,120	\$ 4,611,043	\$ -	\$ 4,611,043
Depreciation and Amortization Expense	\$ 172,033	\$ 502,082	\$ 674,115	\$ -	\$ 674,115
Deprecitaion Expense	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization Expense	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes Other Than Income	\$ 50,286	\$ 31,044	\$ 81,330	\$ -	\$ 81,330
Federal Income Taxes	\$ -	\$ 323,873	\$ 323,873	\$ (71,014)	\$ 252,859
Return on Invested Capital	\$ -	\$ 1,753,037	\$ 1,753,037	\$ (271,520)	\$ 1,481,517
TOTAL	\$ 4,198,242	\$ 3,245,157	\$ 7,443,399	\$ (342,534)	\$ 7,100,864
Other Revenues - Taps, Recon, late fee, Etc.	\$ (78,219)	\$ -	\$ (78,219)	\$ -	\$ (78,219)
Revenue Requirement Used to Set Rates	\$ 4,120,023	\$ 3,245,157	\$ 7,365,180	\$ (342,534)	\$ 7,022,645

SOAH DOCKET NC 473-23-18885.WS
PUC DOCKET NO. 54565
COMPANY NAME CSWR-Texas
TEST YEAR END 31-Dec-22

ALJ Schedule II
Water O&M Expense

WATER OPERATIONS AND MAINTENANCE EXPENSE		Test Year	Company	Company	ALJ	ALJ
		Total	Adjustments	Requested	Adjustments	Adjusted
		(a)	To Test Year	Test Year	To Company	Total
Acct. No.	ACCOUNT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
610	PURCHASED WATER	\$ 323,246	\$ (323,246)	\$ -	\$ -	\$ -
615	POWER EXPENSE-PRODUCTION OF	\$ 238,010	\$ 65,136	\$ 303,146	\$ -	\$ 303,146
618	OTHER VOLUME RELATED EXPENS	\$ 104,860	\$ 26,599	\$ 130,459	\$ -	\$ 130,459
601-1	EMPLOYEE LABOR	\$ -	\$ -	\$ -	\$ -	\$ -
620	MATERIALS	\$ 3,682	\$ -	\$ 3,682	\$ -	\$ 3,682
631-636	CONTRACT WORK	\$ 1,888,752	\$ 365,142	\$ 2,253,894	\$ -	\$ 2,253,894
650	TRANSPORTATION EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -
664	OTHER PLANT MAINTENANCE	\$ 360	\$ -	\$ 360	\$ -	\$ 360
601-2	OFFICE SALARIES	\$ -	\$ -	\$ -	\$ -	\$ -
601-3	MANAGEMENT SALARIES	\$ -	\$ -	\$ -	\$ -	\$ -
604	EMPLOYEE PENSIONS & BENEFITS	\$ -	\$ -	\$ -	\$ -	\$ -
615	PURCHASED POWER-OFFICE ONLY	\$ -	\$ -	\$ -	\$ -	\$ -
670	BAD DEBT EXPENSE	\$ 126	\$ 73,209	\$ 73,335	\$ -	\$ 73,335
676	OFFICE SERVICES & RENTALS	\$ 339	\$ -	\$ 339	\$ -	\$ 339
677	OFFICE SUPPLIES & EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -
678	PROFESSIONAL SERVICES	\$ -	\$ -	\$ -	\$ -	\$ -
684	INSURANCE	\$ 190,586	\$ 233,111	\$ 423,697	\$ -	\$ 423,697
667	REGULATORY EXPENSE (OTHER)	\$ 185,605	\$ -	\$ 185,605	\$ -	\$ 185,605
675	MISCELLANEOUS	\$ 1,040,357	\$ 196,169	\$ 1,236,526	\$ -	\$ 1,236,526
TOTAL		\$ 3,975,923	\$ 635,120	\$ 4,611,043	\$ -	\$ 4,611,043

SOAH DOCKET NO. 473-23-18885.WS
PUC DOCKET NO. 54565
COMPANY NAME CSWR-Texas
TEST YEAR END 31-Dec-22

ALJ Schedule III
Water Invested Capital

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	ALJ Adjustments To Company Request	ALJ Adjusted Total
	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
WATER INVESTED CAPITAL					
Plant in Service (incl CWIP)	\$ 15,094,142	\$ 2,624,428	\$ 17,718,570	\$ -	\$ 17,718,570
Accumulated Depreciation	\$ (1,129,572)		\$ (1,129,572)	\$ -	\$ (1,129,572)
Net Plant in Service	\$ 13,964,570	\$ 2,624,428	\$ 16,588,998	\$ -	\$ 16,588,998
Working Cash Allowance	\$ -	\$ -	\$ 347,873	\$ -	\$ 347,873
Materials and Supplies	\$ -	\$ -	\$ -	\$ -	\$ -
Prepayments	\$ 36,381	\$ -	\$ 36,381	\$ -	\$ 36,381
Customer Advances Construction	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition Adjustments	\$ -	\$ 1,249,591	\$ 1,249,591	\$ -	\$ 1,249,591
Developer Contribution in Aid of Construction	\$ -	\$ -	\$ -	\$ -	\$ -
Customer Deposits	\$ -	\$ -	\$ -	\$ -	\$ -
Regulatory Assets	\$ -	\$ -	\$ -	\$ -	\$ -
ADFIT	\$ -	\$ -	\$ -	\$ -	\$ -
Excess ADFIT	\$ -	\$ -	\$ -	\$ -	\$ -
			\$ -		
TOTAL INVESTED CAPITAL (RATE BASE)	\$ 14,000,951	\$ 3,874,019	\$ 18,222,843	\$ -	\$ 18,222,843
RATE OF RETURN			9.62%		8.13%
RETURN ON INVESTED CAPITAL		\$ 1,753,037	\$ 1,753,037	\$ (271,520)	\$ 1,481,517

SOAH DOCKET NO. 473-23-18885.WS
PUC DOCKET NO. 54565
COMPANY NAME CSWR-Texas
TEST YEAR END 31-Dec-22

ALJ Schedule IIIA
Water Plant In Service
(Original Cost to Install or Construct)

WATER PLANT IN SERVICE (Original Cost to Install or Construct)		Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	ALJ Adjustments To Company Request	ALJ Adjusted Total
Acct. No.	ACCOUNT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
303	LAND AND LAND RIGHTS			\$ -	\$ -	\$ -
307	WELLS			\$ -	\$ -	\$ -
	WELL PUMPS:			\$ -	\$ -	\$ -
311	5 HP OR LESS			\$ -	\$ -	\$ -
311	GREATER THAN 5 HP			\$ -	\$ -	\$ -
	BOOSTER PUMPS:			\$ -	\$ -	\$ -
311	5 HP OR LESS			\$ -	\$ -	\$ -
311	GREATER THAN 5 HP			\$ -	\$ -	\$ -
320	CHLORINATORS			\$ -	\$ -	\$ -
	STRUCTURES:			\$ -	\$ -	\$ -
304	WOOD			\$ -	\$ -	\$ -
304	MASONRY			\$ -	\$ -	\$ -
305	STORAGE TANKS			\$ -	\$ -	\$ -
311	PRESSURE TANKS			\$ -	\$ -	\$ -
331	DISTRIBUTION SYSTEM			\$ -	\$ -	\$ -
334	METERS AND SERVICE			\$ -	\$ -	\$ -
340	OFFICE EQUIPMENT			\$ -	\$ -	\$ -
341	VEHICLES			\$ -	\$ -	\$ -
343	SHOP TOOLS			\$ -	\$ -	\$ -
345	HEAVY EQUIPMENT			\$ -	\$ -	\$ -
348	FENCING			\$ -	\$ -	\$ -
TOTAL		15,202,328	2,624,428	17,826,756	0	17,826,756

SOAH DOCKET NO. 473-23-18885.WS
PUC DOCKET NO. 54565
COMPANY NAME CSWR-Texas
TEST YEAR END 31-Dec-22

ALJ Schedule IIIB
Water Depreciation Expense

WATER PLANT IN SERVICE		Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	ALJ Adjustments To Company Request	ALJ Adjusted Total
Acct. No.	ACCOUNT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
303	LAND AND LAND RIGHTS			\$ -	\$ -	\$ -
307	WELLS			\$ -	\$ -	\$ -
	WELL PUMPS:			\$ -	\$ -	\$ -
311	5 HP OR LESS			\$ -	\$ -	\$ -
311	GREATER THAN 5 HP			\$ -	\$ -	\$ -
	BOOSTER PUMPS:			\$ -	\$ -	\$ -
311	5 HP OR LESS			\$ -	\$ -	\$ -
311	GREATER THAN 5 HP			\$ -	\$ -	\$ -
320	CHLORINATORS			\$ -	\$ -	\$ -
	STRUCTURES:			\$ -	\$ -	\$ -
304	WOOD			\$ -	\$ -	\$ -
304	MASONRY			\$ -	\$ -	\$ -
305	STORAGE TANKS			\$ -	\$ -	\$ -
311	PRESSURE TANKS			\$ -	\$ -	\$ -
331	DISTRIBUTION SYSTEM			\$ -	\$ -	\$ -
334	METERS AND SERVICE			\$ -	\$ -	\$ -
340	OFFICE EQUIPMENT			\$ -	\$ -	\$ -
341	VEHICLES			\$ -	\$ -	\$ -
343	SHOP TOOLS			\$ -	\$ -	\$ -
345	HEAVY EQUIPMENT			\$ -	\$ -	\$ -
348	FENCING			\$ -	\$ -	\$ -
	CONTRIBUTIONS IN AID OF CONSTRUCTION			\$ -	\$ -	\$ -
	TOTAL	\$ 172,033	\$ 502,082	\$ 674,115	\$ -	\$ 674,115

SOAH DOCKET NO 473-23-18885.WS
PUC DOCKET NO. 54565
COMPANY NAME CSWR-Texas
TEST YEAR END 31-Dec-22

ALJ Schedule IV
Water Taxes Other Than FIT

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	ALJ Adjustments To Company Request	ALJ Adjusted Total
WATER TAXES OTHER THAN FIT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
Non-Revenue Related					
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Total Property	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes					
FICA	\$ -	\$ -	\$ -	\$ -	\$ -
MEDICARE	\$ -	\$ -	\$ -	\$ -	\$ -
MEDICARE-Affordable Care Act			\$ -	\$ -	\$ -
FUTA	\$ -	\$ -	\$ -	\$ -	\$ -
SUTA	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -
LESS Capitalized	\$ -	\$ -	\$ -	\$ -	\$ -
Total Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes					
Other taxes and Licenses	\$ 50,286	\$ 31,044	\$ 81,330	\$ -	\$ 81,330
Total Other Taxes	\$ 50,286	\$ 31,044	\$ 81,330	\$ -	\$ 81,330
TOTAL TAXES OTHER THAN INCOME	\$ 50,286	\$ 31,044	\$ 81,330	\$ -	\$ 81,330

SOAH DOCKET NO. 473-23-18885.WS
PUC DOCKET NO. 54565
COMPANY NAME CSWR-Texas
TEST YEAR END 31-Dec-22

	Test Year Total	Company Requested Test Year Total	ALJ Adjustments To Company Request	ALJ Adjusted Total
WATER FEDERAL INCOME TAXES	(a)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
Return	Total	\$ 1,753,038	\$ -	\$ 1,481,517
Less				
Interest Included in Return		\$ 534,658	\$ -	\$ 530,285
Plus				
Other Adjustments				
TAXABLE COMPONENT OF RETURN		\$ 1,218,380	\$ -	\$ 951,232
TAX RATE		\$ 0	\$ -	\$ 0
TAX FACTOR $(1/(1-TR)) \cdot (TR)$		\$ 0	\$ -	\$ 0
FEDERAL INCOME TAX BEFORE ADJUSTMENTS		\$ 323,873	\$ -	\$ 252,859
LESS				
Adjustments		\$ -	\$ -	\$ -
TOTAL FEDERAL INCOME TAXES		\$ 323,873	\$ (71,014)	\$ 252,859

SOAH DOCKET NO. 473-23-18885
PUC DOCKET NO. 54565
COMPANY NAME CSWR-Texas
TEST YEAR END December 31, 2022

ALJ Schedule I
Sewer Revenue Requirement

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	ALJ Adjustments To Company Request	ALJ Adjusted Total
	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
SEWER REVENUE REQUIREMENT					
Operations and Maintenance	\$ 912,406	\$ 380,080	\$ 1,292,486	\$ -	\$ 1,292,486
Depreciation and Amortization Expense	\$ 47,898	\$ 191,321	\$ 239,219	\$ -	\$ 239,219
Taxes Other Than Income	\$ 9,026	\$ 8,843	\$ 17,869	\$ -	\$ 17,869
Federal Income Taxes	\$ -	\$ 113,293	\$ 113,293	\$ (24,841)	\$ 88,452
Return on Invested Capital	\$ -	\$ 613,227	\$ 613,227	\$ (94,980)	\$ 518,247
TOTAL	\$ 969,330	\$ 1,306,765	\$ 2,276,095	\$ (119,821)	\$ 2,156,273
Other Revenues - Taps, Recon, late fee, Etc.	\$ -	\$ (12,800)	\$ (12,800)	\$ -	\$ (12,800)
Revenue Requirement Used to Set Rates	\$ 969,330	\$ 1,293,965	\$ 2,263,295	\$ (119,821)	\$ 2,143,473

SOAH DOCKET NO. 473-23-18885
 PUC DOCKET NO. 54565
 COMPANY NAME CSWR-Texas
 TEST YEAR END 31-Dec-22

SEWER OPERATIONS AND MAINTENANCE EXPENSE		Test Year	Company	Company	ALJ Schedule II	ALJ
		Total	Adjustments	Requested	Adjustments	Adjusted
			To Test Year	Test Year	To Company	Total
Acct. No.	ACCOUNT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
610	PURCHASED SEWER TREATMENT	\$ 59,944	\$ -	\$ 59,944	\$ -	\$ 59,944
	SLUDGE REMOVAL EXPENSE	\$ 1,300	\$ -	\$ 1,300	\$ -	\$ 1,300
615	POWER EXPENSE-PRODUCTION ONLY	\$ 60,320	\$ 26,453	\$ 86,773	\$ -	\$ 86,773
618	OTHER VOLUME RELATED EXPENSES	\$ 30,138	\$ 7,724	\$ 37,862	\$ -	\$ 37,862
601-1	EMPLOYEE LABOR	\$ -	\$ -	\$ -	\$ -	\$ -
620	MATERIALS	\$ 998	\$ -	\$ 998	\$ -	\$ 998
631-636	CONTRACT WORK	\$ 293,282	\$ 229,033	\$ 522,315	\$ -	\$ 522,315
650	TRANSPORTATION EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -
664	OTHER PLANT MAINTENANCE	\$ -	\$ -	\$ -	\$ -	\$ -
601-2	OFFICE SALARIES	\$ -	\$ -	\$ -	\$ -	\$ -
601-3	MANAGEMENT SALARIES	\$ -	\$ -	\$ -	\$ -	\$ -
604	EMPLOYEE PENSIONS & BENEFITS	\$ -	\$ -	\$ -	\$ -	\$ -
615	PURCHASED POWER-OFFICE ONLY	\$ -	\$ -	\$ -	\$ -	\$ -
670	BAD DEBT EXPENSE	\$ -	\$ 22,542	\$ 22,542	\$ -	\$ 22,542
676	OFFICE SERVICES & RENTALS	\$ -	\$ -	\$ -	\$ -	\$ -
677	OFFICE SUPPLIES & EXPENSES	\$ 1,021	\$ -	\$ 1,021	\$ -	\$ 1,021
678	PROFESSIONAL SERVICES	\$ -	\$ -	\$ -	\$ -	\$ -
684	INSURANCE	\$ 74,867	\$ 2,821	\$ 77,688	\$ -	\$ 77,688
667	REGULATORY EXPENSE (OTHER)	\$ 29,575	\$ -	\$ 29,575	\$ -	\$ 29,575
675	MISCELLANEOUS	\$ 360,961	\$ 91,507	\$ 452,468	\$ -	\$ 452,468
	TOTAL	\$ 912,406	\$ 380,080	\$ 1,292,486	\$ -	\$ 1,292,486

SOAH DOCKET NO. 473-23-18885
PUC DOCKET NO. 54565
COMPANY NAME CSWR-Texas
TEST YEAR END 31-Dec-22

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	ALJ Adjustments To Company Request	ALJ Adjusted Total
	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
SEWER INVESTED CAPITAL					
Plant in Service	\$ 5,809,190	\$ -	\$ 5,809,190	\$ -	\$ 5,809,190
Accumulated Depreciation	\$ (88,134)	\$ -	\$ (88,134)	\$ -	\$ (88,134)
Net Plant in Service	\$ 5,721,056	\$ -	\$ 5,721,056	\$ -	\$ 5,721,056
Working Cash Allowance	\$ -	\$ -	\$ 99,358	\$ -	\$ 99,358
Materials and Supplies	\$ -	\$ -	\$ -	\$ -	\$ -
Prepayments	\$ 8,349	\$ -	\$ 8,349	\$ -	\$ 8,349
Customer Advances Construction	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition Adjustments	\$ -	\$ 545,739	\$ 545,739	\$ -	\$ 545,739
Developer Contribution in Aid of Construction	\$ -	\$ -	\$ -	\$ -	\$ -
Customer Deposits	\$ -	\$ -	\$ -	\$ -	\$ -
Regulatory Assets	\$ -	\$ -	\$ -	\$ -	\$ -
ADFIT	\$ -	\$ -	\$ -	\$ -	\$ -
Excess ADFIT	\$ -	\$ -	\$ -	\$ -	\$ -
			\$ -		
TOTAL INVESTED CAPITAL (RATE BASE)	\$ 5,729,405	\$ 545,739	\$ 6,374,502	\$ -	\$ 6,374,502
RATE OF RETURN			9.62%		8.13%
RETURN ON INVESTED CAPITAL		\$ 613,227	\$ 613,227	\$ (94,980)	\$ 518,247

SOAH DOCKET NO. 473-23-18885
PUC DOCKET NO. 54565
COMPANY NAME CSWR-Texas
TEST YEAR END 31-Dec-22

ALJ Schedule IIIA
Sewer Plant In Service
(Original Cost to Install or Construct)

SEWER PLANT IN SERVICE (Original Cost to Install or Construct)		Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	ALJ Adjustments To Company Request	ALJ Adjusted Total
Acct. No.	ACCOUNT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
303	LAND AND LAND RIGHTS			\$ -	\$ -	\$ -
307	WELLS			\$ -	\$ -	\$ -
	WELL PUMPS:			\$ -	\$ -	\$ -
311	5 HP OR LESS			\$ -	\$ -	\$ -
311	GREATER THAN 5 HP			\$ -	\$ -	\$ -
	BOOSTER PUMPS:			\$ -	\$ -	\$ -
311	5 HP OR LESS			\$ -	\$ -	\$ -
311	GREATER THAN 5 HP			\$ -	\$ -	\$ -
320	CHLORINATORS			\$ -	\$ -	\$ -
	STRUCTURES:			\$ -	\$ -	\$ -
304	WOOD			\$ -	\$ -	\$ -
304	MASONRY			\$ -	\$ -	\$ -
305	STORAGE TANKS			\$ -	\$ -	\$ -
311	PRESSURE TANKS			\$ -	\$ -	\$ -
331	DISTRIBUTION SYSTEM			\$ -	\$ -	\$ -
334	METERS AND SERVICE			\$ -	\$ -	\$ -
340	OFFICE EQUIPMENT			\$ -	\$ -	\$ -
341	VEHICLES			\$ -	\$ -	\$ -
343	SHOP TOOLS			\$ -	\$ -	\$ -
345	HEAVY EQUIPMENT			\$ -	\$ -	\$ -
348	FENCING			\$ -	\$ -	\$ -
	TOTAL	\$ 5,809,190	\$ 694,911	\$ 6,504,101	\$ -	\$ 6,504,101

SOAH DOCKET NO. 473-23-18885
PUC DOCKET NO. 54565
COMPANY NAME CSWR-Texas
TEST YEAR END 31-Dec-22

SEWER PLANT IN SERVICE		Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	ALJ Adjustments To Company Request	ALJ Adjusted Total
Acct. No.	ACCOUNT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
303	LAND AND LAND RIGHTS			\$ -	\$ -	\$ -
307	WELLS			\$ -	\$ -	\$ -
	WELL PUMPS:			\$ -	\$ -	\$ -
311	5 HP OR LESS			\$ -	\$ -	\$ -
311	GREATER THAN 5 HP			\$ -	\$ -	\$ -
	BOOSTER PUMPS:			\$ -	\$ -	\$ -
311	5 HP OR LESS			\$ -	\$ -	\$ -
311	GREATER THAN 5 HP			\$ -	\$ -	\$ -
320	CHLORINATORS			\$ -	\$ -	\$ -
	STRUCTURES:			\$ -	\$ -	\$ -
304	WOOD			\$ -	\$ -	\$ -
304	MASONRY			\$ -	\$ -	\$ -
305	STORAGE TANKS			\$ -	\$ -	\$ -
311	PRESSURE TANKS			\$ -	\$ -	\$ -
331	DISTRIBUTION SYSTEM			\$ -	\$ -	\$ -
334	METERS AND SERVICE			\$ -	\$ -	\$ -
340	OFFICE EQUIPMENT			\$ -	\$ -	\$ -
341	VEHICLES			\$ -	\$ -	\$ -
343	SHOP TOOLS			\$ -	\$ -	\$ -
345	HEAVY EQUIPMENT			\$ -	\$ -	\$ -
348	FENCING			\$ -	\$ -	\$ -
	CONTRIBUTIONS IN AID OF CONSTRUCTION			\$ -	\$ -	\$ -
	TOTAL	\$ 47,898	\$ 191,321	\$ 239,219	\$ -	\$ 239,219

SOAH DOCKET NO. 473-23-18885
PUC DOCKET NO. 54565
COMPANY NAME CSWR-Texas
TEST YEAR END 31-Dec-22

ALJ Schedule IV
Sewer Taxes Other Than FIT

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	ALJ Adjustments To Company Request	ALJ Adjusted Total
SEWER TAXES OTHER THAN FIT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
Non-Revenue Related					
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Total Property	\$ -	\$ -	\$ -		\$ -
Payroll Taxes					
FICA	\$ -	\$ -	\$ -	\$ -	\$ -
MEDICARE	\$ -	\$ -	\$ -	\$ -	\$ -
MEDICARE-Affordable Care Act			\$ -	\$ -	\$ -
FUTA	\$ -	\$ -	\$ -	\$ -	\$ -
SUTA	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -
LESS Capitalized	\$ -	\$ -	\$ -	\$ -	\$ -
Total Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes					
Other taxes and Licenses	\$ 9,026	\$ 8,843	\$ 17,869	\$ -	\$ 17,869
Total Other Taxes	\$ 9,026	\$ 8,843	\$ 17,869	\$ -	\$ 17,869
TOTAL TAXES OTHER THAN INCOME	\$ 9,026	\$ 8,843	\$ 17,869	\$ -	\$ 17,869

SOAH DOCKET NO. 473-23-18885
PUC DOCKET NO. 54565
COMPANY NAME CSWR-Texas
TEST YEAR END 31-Dec-22

	Test Year Total (a)	Company Requested Test Year Total (c)=(a)+(b)	ALJ Adjustments To Company Request (d)	ALJ Adjusted Total (e)=(c)+(d)
SEWER FEDERAL INCOME TAXES				
Return	Total	\$ 613,227	\$ -	\$ 518,247
Less				
Interest Included in Return		\$ 187,028	\$ -	\$ 185,498
Plus				
Other Adjustments				
TAXABLE COMPONENT OF RETURN		\$ 426,199	\$ -	\$ 332,749
TAX RATE		21%		21%
TAX FACTOR (1/(1-TR))*(TR)		0.265822785		0.265822785
FEDERAL INCOME TAX BEFORE ADJUSTMENTS		\$ 113,293	\$ -	\$ 88,452
LESS				
Adjustments		\$ -		\$ -
TOTAL FEDERAL INCOME TAXES		\$ 113,293	\$ (24,841)	\$ 88,452

SOAH Docket No. 473-23-18885

PUC Docket No. 54565

ALJ Schedule A

**VII-2 REVENUE GENERATED FOR SINGLE
TIER GALLONAGE CHARGE FOR ALL
USAGE**

Meter Size	Meter Ratio	Customer Charge
5/8"	1.133921	\$ 51.06
3/4"	1.133921	\$ 51.06
1"	2.5	\$ 112.57
1.5"	5	\$ 225.15
2"	8	\$ 360.25
Unmetered	1.133921	\$ 82.86

FIXED CHARGE PROOF OF REVENUES

Meter Size	Connections	Revenue
5/8"	5,087	\$ 3,116,907
3/4"	1,884	\$ 1,154,364
1"	69	\$ 93,208
1.5"	1	\$ 2,702
2"	2	\$ 8,646
Unmetered	63	\$ 38,603
Customer Charge Total Revenue		\$ 4,414,430
Total Volumetric Revenue		\$ 2,605,076
TOTAL REVENUE		\$ 7,019,506
Revenue Requirement		\$ 7,022,645
Over / (Under) Recovery		\$ (3,139)

**VI-3 RATE CALCULATION FOR SINGLE
GALLONAGE CHARGE FOR ALL USAGE**

Description	Amount
Fixed Expenses	\$
Test Year End Meter Equivalencies	
Billing Cycles per Year	
Minimum Monthly Charge	\$
Variable Expenses	\$
Test Year Gallons Billed	
Unmetered Expected Gallonage	
Volumetric Rate	\$

I-3 CONNECTION COUNT

Meter Size	Connections	Meter Ratio
5/8"	5,087	1.133921
3/4"	1,884	1.133921
1"	69	2.5
1.5"	1	5
2"	2	8
Unmetered	63	1.133921
Total	7,106	

3 TIER
AGE

VI-1 FIXED & VARIABLE ALLOC

ount	Account No.	Account Name	CSWR Historical Test Year	CSWR Proposed K&M
4,414,656	610	Purchased water/sewer treatment	\$ 323,246	\$ (323,246)
8170	615.1	Purchased Power-wells, booster pumps	\$ 238,013	\$ 65,136
12	618	Chemicals and other volume related exp	\$ 104,859	\$ 25,598
45.03	601.1	Employee labor	\$ -	\$ -
	620	Materials and Supplies	\$ 3,681	\$ -
2,607,989	631-636	Contract work	\$ 1,888,752	\$ 365,142
486,987,682	650	Transportation expenses	\$ -	\$ -
4,536,000	664	Other plant maintenanc	\$ 360	\$ -
5.30	601.2	Office salaries	\$ -	\$ -
	603	Management salaries	\$ -	\$ -
	604	Employee pensions & benefits	\$ -	\$ -
Meter	615.8	Purchased power - G&A	\$ -	\$ -
Equivalencies	670	Bad debt expense	\$ 126	\$ 73,209
5,768	676	Office services & rentals	\$ -	\$ -
2,136	677	Office supplies & expenses	\$ 338	\$ -
173	656-659	Insurance	\$ 190,586	\$ 233,111
5	667	Regulatory expense (other)	\$ 185,605	\$ -
16	675	Miscellaneous expenses	\$ 1,040,356	\$ 196,169
71		Subtotal O&M Expenses	\$ 3,975,923	\$ 635,120
8,170	403	Depreciation	\$ 172,033	\$ 502,082
	408	Taxes Other Than Income	\$ 50,286	\$ 31,044
	409/410	Income Tax Expense	\$ -	\$ 323,873
		TOTAL EXPENSES	\$ 4,198,242	\$ 1,492,119
		Requested Return	\$ -	\$ 1,753,037
		Less: Other Revenues	\$ (63,312)	\$ (14,908)
		TOTAL REVENUE REQUIREMEN	\$ 4,134,931	\$ 3,230,248

ATION FOR RATE DESIGN

ALJ Adjustments	Adjusted Total Expenses	CSWR Proposed Fixed %	Fixed Expenses	Variable Expenses
\$ -	\$ 0	0%	\$ -	\$ 0
\$ -	\$ 303,149	0%	\$ -	\$ 303,149
\$ -	\$ 130,457	0%	\$ -	\$ 130,457
\$ -	\$ -	67%	\$ -	\$ -
\$ -	\$ 3,681	67%	\$ 2,466	\$ 1,215
\$ -	\$ 2,253,894	67%	\$ 1,510,109	\$ 743,785
\$ -	\$ -	67%	\$ -	\$ -
\$ -	\$ 360	67%	\$ 241	\$ 119
\$ -	\$ -	67%	\$ -	\$ -
\$ -	\$ -	67%	\$ -	\$ -
\$ -	\$ -	67%	\$ -	\$ -
\$ -	\$ -	67%	\$ -	\$ -
\$ -	\$ 73,336	67%	\$ 49,135	\$ 24,201
\$ -	\$ -	67%	\$ -	\$ -
\$ -	\$ 338	67%	\$ 226	\$ 111
\$ -	\$ 423,697	67%	\$ 283,877	\$ 139,820
\$ -	\$ 185,605	67%	\$ 124,356	\$ 61,250
\$ -	\$ 1,236,525	67%	\$ 828,472	\$ 408,053
\$ -	\$ 4,611,043		\$ 2,798,883	\$ 1,812,160
\$ -	\$ 674,115	67%	\$ 451,657	\$ 222,458
\$ -	\$ 81,330	67%	\$ 54,491	\$ 26,839
\$ (71,014)	\$ 252,859	67%	\$ 169,416	\$ 83,443
\$ (71,014)	\$ 5,619,347		\$ 3,474,447	\$ 2,144,901
\$ (271,520)	\$ 1,481,517	67%	\$ 992,616	\$ 488,901
\$ -	\$ (78,220)	67%	\$ (52,407)	\$ (25,812)
\$ (342,534)	\$ 7,022,645		\$ 4,414,656	\$ 2,607,989

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ALJ Schedule B

VI-2 FLAT RATE CALCULATION

Description		Amount	Account No.
Revenue Requirement		\$ 2,143,473	710
Sewer Counts		2,753	711
Billing Cycles per Year		12	715
Flat Rate		\$ 64.88	718
			720
			731-736
			770
			777
			756-759
			767
			775

FLAT RATE PROOF OF REVENUES	
Flat Rate	\$ 64.88
x Customer Count	2,753
Revenue Generated from Flat Rate	\$ 2,143,376
Application Revenue Requirement	\$ 2,143,473
Over / (Under) Recovery	\$ (97)

VI-1 FIXED & VARIABLE ALLOCATION FOR RATE DESIGN

Account Name	CSWR Historical Test Year	CSWR Proposed K&M	ALJ Adjustments	Adjusted Test Year Expenses
Purchased water/sewer treatment	\$ 59,944	\$ -	\$ -	\$ 59,944
Sludge Removal Expense	\$ 1,300	\$ -	\$ -	\$ 1,300
Purchased Power-wells, booster pumps	\$ 60,320	\$ 26,453	\$ -	\$ 86,773
Chemicals and other volume related exp	\$ 30,138	\$ 7,724	\$ -	\$ 37,862
Materials and Supplies	\$ 998	\$ -	\$ -	\$ 998
Contract work	\$ 293,283	\$ 229,033	\$ -	\$ 522,316
Bad debt expense	\$ -	\$ 22,542	\$ -	\$ 22,542
Office supplies & expenses	\$ 1,021	\$ -	\$ -	\$ 1,021
Insurance	\$ 74,866	\$ 2,821	\$ -	\$ 77,687
Regulatory expense (other)	\$ 29,575	\$ -	\$ -	\$ 29,575
Miscellaneous expenses	\$ 360,961	\$ 91,507	\$ -	\$ 452,468
Subtotal O&M Expenses	\$ 912,406	\$ 380,080	\$ -	\$ 1,292,486
Depreciation	\$ 47,898	\$ 191,321	\$ -	\$ 239,219
Taxes Other Than Income	\$ 9,026	\$ 8,843	\$ -	\$ 17,869
Income Tax Expense	\$ -	\$ 113,293	\$ (24,841)	\$ 88,452
TOTAL EXPENSES	\$ 969,330	\$ 693,537	\$ (24,841)	\$ 1,638,026
Requested Return	\$ -	\$ 613,227	\$ (94,980)	\$ 518,247
Less: Other Revenues	\$ (12,800)	\$ -	\$ -	\$ (12,800)
TOTAL REVENUE REQUIREMENT	\$ 956,530	\$ 1,306,764	\$ (119,821)	\$ 2,143,473