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DOCKET NO. 54940

**APPLICATION OF INTEGRA WATER § PUBLIC UTILITY COMMISSION
TEXAS, LLC FOR AUTHORITY TO §
CHANGE RATES § OF TEXAS**

**COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION TO
INTEGRA WATER, LLC
QUESTION NOS. STAFF 3-1 THROUGH STAFF 3-63**

Pursuant to 16 Texas Administrative Code (TAC) § 22.144 of the Commission's Procedural Rules, the Staff (Staff) of the Public Utility Commission of Texas (Commission) requests that Integra Water, LLC by and through its representative of record, provide the following information and answer the following questions under oath. The questions shall be answered in sufficient detail to fully present all of the relevant facts, within the time limit provided by the Presiding Officer or within 20 days if the Presiding Officer has not provided a time limit. Please copy the question immediately above the answer to each question. These questions are continuing in nature, and if there is a relevant change in circumstances, submit an amended answer, under oath, as a supplement to your original answer. State the name of the witness in this cause who will sponsor the answer to the question and can vouch for the truth of the answer.

Provide responses to the Requests for Information by filing with the Commission solely through the Interchange on the Commission's website and provide notice, by email, to all other parties that the pleading or document has been filed with the Commission, unless otherwise ordered by the presiding officer pursuant to the Second Order Suspending Rules in Project No. 50664.

Dated: October 3, 2023

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Marisa Lopez Wagley
Division Director

Ian Groetsch
Managing Attorney

/s/ Kelsey Daugherty
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CERTIFICATE OF SERVICE

I certify that unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on October 3, 2023 in accordance with the Second Order Suspending Rules, filed in Project No. 50664.

/s/ Kelsey Daugherty
Kelsey Daugherty

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**COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION TO
INTEGRA WATER, LLC
QUESTION NOS. STAFF 3-1 THROUGH STAFF 3-63**

DEFINITIONS

- 1) "Integra" or "you" refers to that Integra Water, LLC and any person acting or purporting to act on their behalf, including without limitation, attorneys, agents, advisors, investigators, representatives, employees, or other persons.

- 2) "Document" includes any written, recorded, or graphic matter, however produced or reproduced, including but not limited to correspondence, telegrams, contracts, agreements, notes in any form, memoranda, diaries, voice recording tapes, microfilms, pictures, computer media, work papers, calendars, minutes of meetings or other writings or graphic matter, including copies containing marginal notes or variations of any of the foregoing, now or previously in your possession. In the event any documents requested by this Request for Information have been transferred beyond your control, describe the circumstances under which the document was destroyed or transferred and provide an exact citation to the subject document. In the event that documents containing the exact information do not exist, but documents do exist which contain portions of the required information or which contain substantially similar information, then the definition of "documents" shall include the documents which do exist, and these documents will be provided.

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**COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION TO
INTEGRA WATER, LLC
QUESTION NOS. STAFF 3-1 THROUGH STAFF 3-63**

INSTRUCTIONS

- 1) Pursuant to 16 TAC § 22.144(c)(2), Staff requests that answers to the requests for information be made under oath.
- 2) Please copy the question immediately above the answer to each question. State the name of the witness in this cause who will sponsor the answer to the question and can vouch for the truth of the answer.
- 3) These questions are continuing in nature, and if there is a relevant change in circumstances, submit an amended answer, under oath, as a supplement to your original answer.
- 4) Words used in the plural shall also be taken to mean and include the singular. Words used in the singular shall also be taken to mean and include the plural.
- 5) The present tense shall be construed to include the past tense, and the past tense shall be construed to include the present tense.
- 6) If any document is withheld under any claim of privilege, please furnish a list identifying each document for which a privilege is claimed, together with the following information: date, sender, recipients or copies, subject matter of the document, and the basis upon which such privilege is claimed.
- 7) Pursuant to 16 TAC § 22.144(h)(4), if the response to any request is voluminous, please provide a detailed index of the voluminous material.
- 8) Staff requests that each item of information be made available as it is completed, rather than upon completion of all information requested.

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**COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION TO
INTEGRA WATER, LLC
QUESTION NOS. STAFF 3-1 THROUGH STAFF 3-63**

Accounting Entries

- Staff 3-1** Please provide the general ledgers for wastewater for the three months following the test year.
- Staff 3-2** Please provide the general journal reflecting accounting adjustments to the test year with explanations for each entry.
- Staff 3-3** Please provide any additional internal or external audit reports produced since the beginning of 2021 regarding Integra's wastewater operations.
- Staff 3-4** Please identify the accounting method used to record income and expenses in accordance with GAAP and the NARUC Uniform System of Accounts.
- Staff 3-5** Please provide documents, including written descriptions, showing the transactions of all general journal entries made during the test year that created prior period adjustments as defined by GAAP.
- Staff 3-6** For the years ending December 31, 2021 and December 31, 2022, please provide copies of the complete audited financial statements, including all auditor's reports and notes, for Integra and all of its affiliates, including but not limited to balance sheets, profit and loss statements, and statements of cash flow. If audited financial statements are not available, provide the unaudited financial statements.
- Staff 3-7** Please provide Integra's current materiality threshold for accounting purposes and the calculation used to determine it.
- Staff 3-8** Please provide a copy of Integra's capitalization policy that was in effect during the test year. If no written capitalization policy exists, please explain the criteria used to determine when an expense is capitalized and included in rate base.

FIT

- Staff 3-9** Does Integra's approved rates include a normalized federal income tax expense? If not, please provide a detailed explanation.
- Staff 3-10** Does Integra use accelerated depreciation, bonus depreciation, or other forms of depreciation different from straight line depreciation over the expected useful life of an asset, when calculating depreciation for federal income tax purposes? If yes, identify the types of depreciation other than straight line used by Integra.

Staff 3-11 Provide Integra's calculation for accumulated deferred federal income tax based on rates set using normalized federal income tax and accelerated depreciation for tax purposes. Include supporting workpapers.

Payroll

Staff 3-12 Please provide the number of full-time, and part-time employees if any, that worked only for Integra during the test year.

Staff 3-13 Please provide the number of full time, and part-time employees if any, that worked for Integra and one or more affiliated companies during the test year. Provide name, position, and detailed job description for each employee.

Staff 3-14 Please provide a list of all employees who received salaries, bonuses, allowances, benefits, and other remuneration that were included in the cost of service. Please provide the following information:

- a) Name;
- b) Position and detailed job description;
- c) Date hired and date of termination, if applicable;
- d) Rate per month or per hour; and
- e) Total number of hours and percentage of time worked per week for each and total number of hours and percentage of time worked per week for any affiliated companies.

Staff 3-15 Please provide all studies, work papers, or other documents that show the salaries, allowances, medical insurance benefits, pension/retirement benefits, and other remuneration paid to employees are reasonable. Please provide the confidential file in 54940 item 4 the list of employees with gross pay and net pay in electronic format.

Staff 3-16 Please provide a monthly detailed listing of all employees, by filled position, from January 2022 through January 2023.

Staff 3-17 Please indicate the open positions, by title, that Integra has yet to fill.

Staff 3-18 Please provide copies of minutes from board meetings or other executive approvals authorizing any pay increases included in the application for non-bargaining employees.

Staff 3-19 Please provide the contractual changes or other written authorization documenting any payroll increase for bargaining employees included in the application.

Staff 3-20 Please provide the location employee service and overhead costs are in the Revenue Requirement schedules.

Affiliates

- Staff 3-21** Please provide a list of any expenses included in the cost of service requested in this application that were allocated or direct billed to Integra from an affiliate. Provide the information by NARUC account.
- Staff 3-22** Please provide a list of specific benefits and/or services that Integra receives from its affiliated companies in return for the costs allocated and/or direct billed from the affiliate. Please identify the specific costs with the specific benefit or service.
- Staff 3-23** Please provide the percentage and amount of every expense category (legal, human resources, IT, accounting, etc.) allocated and/or direct billed from the affiliated companies that were included in this rate change application.
- Staff 3-24** Please provide a list of all companies owned by and the affiliates of Integra, including but not limited to water and wastewater utility companies. Please include copies of an organizational chart demonstrating parent and affiliated companies, if any.
- Staff 3-25** Please provide a list of services, if any, provided by Integra to any affiliate during the test year.
- Staff 3-26** For each of the expenses listed in response to Staff 1-2, please explain how the price charged to Integra is no higher than the price charged to any third-party entity and provide supporting documentation demonstrating the prices charged to third party entities.

Bad Debts

- Staff 3-27** Please describe Integra's accounting policies for setting up and writing off bad debts. In responding, please provide any written policy or documents that describe Integra's procedures for writing off bad debts from the allowance of bad debts and receivable account.
- Staff 3-28** Please explain and provide any study, analysis, basis, assumptions, or policy used in calculating allowance for probable losses and writing-off bad debts.

Ad Valorem Taxes

- Staff 3-29** Has Integra or its affiliates protested property tax valuations in Texas in the past three years? If yes, provide the results of such protests and any documents related to the result.
- Staff 3-30** For any current property tax valuation protest(s), provide documents related to such protest(s).

- Staff 3-31** With regards to the calculation of property tax expense, does Integra apply a construction work in progress (CWIP) and/or obsolescence factor to its gross plant in service balance? If yes, provide those factors for the test year and previous three calendar years.
- Staff 3-32** Is Integra's CWIP subject to any *ad valorem* taxes? If so, state whether the taxes are expensed or capitalized. Provide the amount of *ad valorem* tax associated with any requested CWIP adjustments. If Integra has included the associated expense in its requested revenue requirement, please identify where.
- Staff 3-33** Does Integra pay taxes on plants leased to others? If so, is Integra reimbursed for these taxes?
- Staff 3-34** Does Integra's request for *ad valorem* taxes include taxes on property values deemed imprudent by the Commission? If so, please identify the amount of taxes and the associated plant balance.
- Staff 3-35** Does Integra's request for *ad valorem* taxes include taxes on property which is not used and useful in providing utility service? If so, please identify the amount of taxes and the associated plant balance.
- Staff 3-36** Provide the following regarding Integra's *ad valorem* taxes:
- a) Total taxes paid for the prior two calendar years in Texas and other states (if applicable).
 - b) Accounting distribution of taxes paid in each state for the prior three calendar years (expense, capital, and other by NARUC account).
 - c) Total gross and net book values upon which such taxes were assessed and paid in each jurisdiction for the prior three calendar years. Distinguish by component as applicable (plant in service, materials and supplies, CWIP, etc.).
 - d) Property taxes charged to wastewater expenses for each month of the test year by NARUC account.
- Staff 3-37** Describe in detail the assessment of property taxes on materials and supplies.
- Staff 3-38** Does Integra take advantage of all *ad valorem* tax discounts available? If not, why not?
- Staff 3-39** Please provide the documentation for the \$63 difference between the \$3,459 on the I-1 Revenue Requirement Summary line 23 and property tax for \$3,396 on schedule IV-2. Schedule IV-2, Column F, Line 8 is blank when compared to I-1 Revenue Requirement Summary line 23.

Taxes Other Than Income Taxes

- Staff 3-40** Does Integra pay the Texas Franchise Tax? If yes, please provide the 2021 and 2022 Texas Franchise Tax Reports in which Integra's operations that generated franchise taxes were reported, including all supporting documentation and workpapers. Provide all calculations for Integra's portion of the 2021 and 2022 Texas Franchise Tax.
- Staff 3-41** Please provide the State Gross Receipts Tax Reports for 2021 and 2022 in which Integra's operations that generated gross receipts tax were reported, including all supporting documentation and workpapers. Provide all calculations producing Integra's portion of the 2021 and 2022 gross receipts tax.
- Staff 3-42** Please provide copies of income tax forms filed with the IRS for the test year which include the Company's utility operations. Please include copies of federal forms W-2, W-3, 1099, and 1096.
- Staff 3-43** Please provide copies of invoices for the 1% regulatory assessment fees paid to the Texas Commission on Environmental Quality (TCEQ) during the test year. Please indicate the accounting classification for the regulatory assessment fee.

Regulatory Assets

- Staff 3-44** Does Integra's rate base include a regulatory asset related to COVID-19? If yes, please provide the amount and the requested regulatory treatment of the COVID-19 asset.
- Staff 3-45** Please provide a line-item, detailed listing of all expenditures which comprise Integra's regulatory asset of xxx.
- Staff 3-46** Please provide a line-item, detailed listing of all expenditures which comprise Integra's regulatory expense of \$28,584.

Other Expenses

- Staff 3-47** Please indicate whether Integra seeks to recover the cost of the Income Qualified Elderly Customers program from other customer classes in compliance with Texas Water Code § 13.182(b-1).
- Staff 3-48** Please provide details of all transactions, including receipts, which account for Integra's requested travel and entertainment expenses.
- Staff 3-49** Please indicate the entire cost of outside counsel obtained by Integra that was included in the test year expenses. Please provide invoices which support the requested test year expenses associated with services provided by outside counsel and provide the Case or Docket Number for the specific matters, if available.

- Staff 3-50** Please explain why counsel invoices are classified as management salaries and not professional services.
- Staff 3-51** Does Integra's requested revenue requirement include the recovery of social dues or charitable contributions? If yes, please identify and quantify these amounts and indicate where these amounts are presented in the application.
- Staff 3-52** Please provide a historical level of professional services expenses and provide the amounts for the fiscal years ending 2021 and 2022 by NARUC account.
- Staff 3-53** Admit or deny that expenses for legislative advocacy are included in the requested cost of service. If admit, please provide a detailed written explanation of the advocacy and any invoices supporting the expense.
- Staff 3-54** Admit or deny that expenses for advertising expenses, contributions, and donations are included in the requested cost of service. If admit, please provide a detailed written explanation for each account, and provide any invoices supporting the expense.
- Staff 3-55** Please provide a line-item, detailed listing of all expenditures which comprise Integra's miscellaneous expenses of \$9,468.

Benefits

- Staff 3-56** For each employee who had a portion of their retirement benefits, health insurance, other medical or company benefits, and other remuneration included in the requested revenue requirement, provide the following:
- a) Employee name;
 - b) Date hired and date of termination, if applicable;
 - c) Position held; and
 - d) The type and amount of each benefit received by the employee.
- Staff 3-57** Please provide all studies, work papers, or other documents supporting the reasonableness of the salaries, allowances, health insurance/medical benefits, pension/retirement benefits, and other compensation included in the requested revenue requirement.
- Staff 3-58** Does Integra's requested revenue requirement include any amounts for moving allowances, signing bonuses, or severance packages? If so, please specify by type, amount, and NARUC account.
- Staff 3-59** Reference Integra's response to Staff 3-58. Please provide the level of moving allowances, signing bonuses, and severance payments for the previous three calendar years and the current calendar year to date.

Staff 3-60 Please provide a copy of Integra's policy for payments of moving allowances and signing bonuses.

Staff 3-61 Does Integra's requested revenue requirement include amounts for executive perquisites such as financial planning and tax gross-ups? If so, please provide an explanation of the types of perquisites included, a copy of Integra's policies regarding the payment of such perquisites, and the amount of such payments included in the revenue requirement by NARUC account.

Self-Insurance

Staff 3-62 Does Integra have a self-insurance plan approved by the Commission or other regulatory authority? If yes, please provide details on the approved target amount for the reserve account and provide copies of documents supporting the policies and procedures for the plan.

Construction Work in Progress

Staff 3-63 Does Integra's requested rate base include construction work in progress (CWIP)? If yes, please provide the following:

- a) Name or description of the asset;
- b) Date;
- c) Amount; and
- d) Location of the CWIP.