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DOCKET NO. 55592

APPLICATION OF AIR PARK	§	PUBLIC UTILITY COMMISSION
HOMEOWNER'S ASSOCIATION FOR	§	
AUTHORITY TO CHANGE RATES.	§	OF TEXAS

COMMISSION STAFF'S PROPOSED LIST OF ISSUES

On September 25, 2023, Air Park Homeowner's Association (Air Park) filed an application for authority to change water rates under Texas Water Code (TWC) § 13.1871 and 16 Texas Administrative Code (TAC) §§ 24.25 through 24.33.

On May 15, 2025, Counsel for the Public Utility Commission of Texas (Commission) issued an Order Requesting Lists of Issues, requiring Air Park, and allowing Commission Staff (Staff) and any other interested party, to file a list of issues to be addressed in this docket by June 4, 2025. Therefore, this pleading is timely filed.

I. PROPOSED LIST OF ISSUES

Staff has identified the following issues to be addressed in this docket.

Applicant

1. What is the legal name and all assumed names, if any, of Air Park in this proceeding? If Air Park has an assumed name, provide a currently valid certificate of assumed names.
 - a. Which entity or entities own the equipment and facilities used to provide water service?
 - b. What entity or entities operate the equipment and facilities? In answering this question, please identify which entity or entities employ the individuals who perform the day-to-day operations of the utility.
2. What is the business form of Air Park (e.g., corporation, partnership, sole proprietorship)? What is the charter or authorization number, the date the business was formed, and the dates any changes were made?
 - a. What are Air Park's corporate structures and the corporate structure of any parent, affiliate, and subsidiary entities? Please describe the relationship and function, if any, of each parent, affiliate, or subsidiary entity in owning or operating the equipment and facilities used to provide water service under water certificate of convenience and necessity number 11763?

3. Did Air Park's application comply with the requirements of 16 TAC § 24.27(b)?
4. Did Air Park file its annual report as required by TWC § 13.136 and 16 TAC § 24.129?

Notice

5. Did Air Park provide proper notice of the proposed rate change under TWC § 13.1871(b) and 16 TAC § 24.27?

Revenue Requirement

6. What revenue requirement will give Air Park a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses while preserving Air Park's financial integrity as required under TWC § 13.183(a)(1)-(2) and 16 TAC § 24.43(a)?
7. Does the revenue requirement properly offset from Air Park's cost of service any revenue that is properly recognized for ratemaking-purposes?

Cost of Service

8. What is Air Park's cost of service for providing water service based on its test year?
9. What adjustments, if any, should be made to Air Park's proposed test year data in accordance with TWC § 13.185(d)(1) and 16 TAC § 24.41(b) and (c)(5)?

Allowable Expenses

10. What are the reasonable and necessary allowable expenses for water service under TWC §§ 13.183(a)(1), 13.185, and 16 TAC § 24.41(b)?
11. What is Air Park's reasonable and necessary operations and maintenance expense?
12. What is the reasonable and necessary depreciation expense?
 - a. For each class of property, what are the proper and adequate depreciation rates and methods of depreciation, including service lives and salvage values?
 - b. Does this expense item contain any amounts related to property contributed by a developer or governmental entity? If so, what are those amounts?
 - c. Does this expense item contain any amounts related to property provided by explicit customer agreements or funded by customer contributions in aid of construction? If so, what are those amounts?

13. What is the reasonable and necessary expense for franchise fees, assessments, and taxes other than federal income taxes?
14. What is the reasonable and necessary amount for the utility's federal income tax expense?
 - a. Did Air Park include an allowed expense in its rates or an investment in its rate base for which there is a related income tax benefit? If so, has the related income tax benefit of the allowed expense of investment been included in the computation of income tax expense to reduce rates?
 - b. Is Air Park a member of an affiliated group that is eligible to file a consolidated income tax return under TWC § 13.185(f)?
 - i. If so, have income taxes been computed as though a consolidated return had been filed and Air Park had realized its fair share of the savings resulting from the consolidated return as required under TWC § 13.185(f)?
 - ii. If not, has Air Park demonstrated that it was reasonable not to consolidate returns consistent with TWC § 13.185(f)?
15. Are any tax savings derived from liberalized depreciation and amortization, investment tax credits, or similar methods? If so, are such tax savings apportioned equitably between customers and Air Park, and are the interests of present and future customers equitably balanced?
16. What is the reasonable and necessary amount for Air Park's professional or trade association expense?
17. What is the reasonable and necessary amount for Air Park's advertising expense, contributions, and donations?
18. If Air Park has a self-insurance plan approved by the Commission or other regulatory authority, what is the approved target amount for the reserve account, and is it appropriate to change that amount? What is the amount of any shortage or surplus for the reserve account, and what actions, if any, should be taken to return the reserve account to the approved target amount?
19. What are Air Park's reasonable and necessary expenses, if any, for pension and other post-employment benefits?
20. Does Air Park have any affiliates?
21. Has Air Park made any payments to affiliates for any expense items? If so, please address the following items:

- a. Is the payment for each expense item reasonable and necessary?
- b. What were the costs to the affiliate of each item or class of items in question?
- c. Is the price to Air Park for each item or class of item no higher than prices charged by the supplying affiliate to its other affiliates or divisions or unaffiliated entities for the same item or items?
- d. If the payment to Air Park is for an allocated expense, is the method used to allocate costs attributable to Air Park and Air Park's affiliates appropriate to ensure just and reasonable rates?

22. Are any requested expenses not allowed under 16 TAC § 24.41(b)(2)?

Capital Structure

23. Does Air Park have any debt? If so, what is the cost of that debt?
24. What is the appropriate debt-to-equity capital structure for Air Park for the purpose of setting rates?
25. What is the appropriate overall rate of return (weighted cost of capital), including return on equity and cost of debt for the utility, consistent with 16 TAC § 24.41(c)(1)(B)?

Rate Base (Invested Capital)

26. What is Air Park's rate base, and what is the appropriate rate of return on Air Park's rate base under 16 TAC § 24.41(c)-(g)?
27. What are the reasonable and necessary components of Air Park's rate base in accordance with 16 TAC § 24.41(c)?
28. Has any rate-base item been acquired from an affiliated interest? If so, then address the following:
- a. Is each such item used and useful in providing service to Air Park's customers?
 - b. Is the payment for each such item reasonable and necessary?
 - c. What were the costs to the affiliate of each such item or class of items in question?
 - d. Is the price to Air Park for each such item or class of items no higher than prices charged by the supplying affiliate to its other affiliates or divisions or unaffiliated entities for the same item or items?

- e. If the payment to Air Park is for an allocated share of the cost, is the method used to allocate costs attributable to Air Park and Air Park's affiliates appropriate to ensure just and reasonable rates?
29. What is the original cost of the property used and useful in providing service to the public at the time the property was dedicated to public use under TWC § 13.185(b) and 16 TAC § 24.41(c)(2)(A)-(B)?
 30. What is the amount, if any, of accumulated depreciation on such property and the resulting net cost?
 31. What is the amount for an allowance for funds used during construction, if any, that is being transferred to invested capital in this proceeding? If such amounts are being transferred, for what facilities and when was each facility placed into service? At what rate did the allowance for funds used during construction accrue?
 32. Is Air Park seeking inclusion of construction work in progress? If so, what is the amount sought and for what facilities? Additionally, has Air Park proven that the inclusion is necessary to the financial integrity of Air Park and that major projects under construction have been efficiently and prudently planned and managed as required under 16 TAC § 24.41(c)(4)?
 33. What is the reasonable and necessary working capital allowance for Air Park under 16 TAC § 24.41(c)(2)(D)?
 34. Does Air Park have any utility property that was acquired from an affiliate or a developer before September 1, 1976? If so, has such property been included by Air Park in its rate base, and has it been included in all ratemaking formulas at the actual cost of the property rather than the price set between the entities as required under TWC § 13.185(i)?
 35. Has Air Park financed any of its plant with developer contributions? What is the amount, if any, of accumulated depreciation on that property?
 36. Has Air Park included any customer contributions or donations in invested capital? If so, what is the amount of those customer contributions or donations?
 37. What is the reasonable and necessary amount of Air Park's accumulated reserve for deferred federal income taxes, excess deferred federal income taxes, unamortized investment tax credits, contingency reserves, property insurance reserves, contributions in aid of construction, customer deposits, and other sources of cost-free capital? What other items should be deducted from Air Park's rate base?

38. What regulatory assets, if any, are appropriately included in Air Park's rate base? If such assets are included in rate base, what is the appropriate treatment of such assets?
39. What regulatory liabilities, if any, are appropriately included in the utility's rate base? If such liabilities are included in rate base, what is the appropriate treatment of such liabilities?

Capitalization

40. What is Air Park's capitalization policy?
41. Is Air Park's capitalization policy appropriate?

Allocation and Rate Design

42. What is the appropriate rate design for water service for each rate class?
43. In designing rates for water service, should Air Park use the current number of connections as of the date of the application or the number of test year-end connections?
44. What is Air Park's number of connections at the end of the test year?
45. What is Air Park's number of connections at the time its application for a rate change was filed?

Rates

46. What are the just and reasonable rates for water service that are sufficient, equitable, and consistent in application and that are not unreasonably preferential, prejudicial, or discriminatory under TWC §§ 13.182 and 13.1871(o) and 16 TAC § 24.35(d)? Do these rates recover Air Park's revenue requirement for each type of service?
47. Are the fees proposed by Air Park appropriate under 16 TAC §§ 24.163 and 24.165?
48. What is the appropriate effective date of the rates fixed by the Commission in this proceeding?
49. Has Air Park provided sufficient evidence to justify any requested change in fees?

Tariff

50. Are Air Park's proposed revisions to its tariff and rate schedules appropriate?
51. For the proposed tariff, does the tariff include and identify all applicable systems?

Interim Rates

52. Did Air Park request interim rates? If so, has Air Park met the requirements for interim rates? If so, what are the appropriate levels of the interim rates under 16 TAC § 24.37?

53. If a refund or surcharge results from this proceeding, how and over what period of time should the refund or surcharge be made?

Rate-case Expenses

54. What are Air Park's expenses incurred in this rate proceeding that are just, reasonable, necessary, and in the public interest under 16 TAC § 24.44? Does that amount include any prospective rate-case expenses to be incurred after the Commission's final order? Should Air Park be able to recover its reasonable and necessary rate-case expenses from ratepayers? If so, how should such expenses, if any, be recovered by Air Park?
55. How should rate-case expenses be allocated between customers?

Pass-Through Rates

56. Has Air Park requested approval of any pass-through rates? If so, please identify each pass-through rate requested. For each requested pass-through rate, please address the following items.
- a. Specify the entity whose costs will be passed through under the pass-through rate.
 - b. Specify the amount of costs to be passed through under the pass-through rate.
 - c. Specify what products or services the costs to be passed through under the pass-through rate would cover.
 - d. Specify how the pass-through rate is calculated.
57. Has Air Park requested to include costs in its pass-through rates for an entity for which it has also requested to recover costs through its base rates? If so, please identify the entity, the amount of costs, and what products or services the costs cover.
58. Does Air Park's proposed pass-through rates include only the actual costs charged to Air Park?
59. Do the proposed pass-through rates exclude any charges that are included in Air Park's requested cost of service in this docket?
60. Does Air Park's pass-through provisions in its tariff conform to Commission rules, and are they appropriately worded?

II. ISSUES NOT TO BE ADDRESSED

Staff has not identified any issues that should not be addressed in this docket.

III. THRESHOLD ISSUES

Staff has not identified any threshold issues that should be addressed in this docket.

IV. CONCLUSION

Staff respectfully requests that its proposed issues be among the issues considered by the Commission in this proceeding.

Dated: June 4, 2025

Respectfully submitted,

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

Marisa Lopez Wagley
Division Director

Ian Groetsch
Managing Attorney

/s/ Scott Miles
Scott Miles
State Bar No. 24098103
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7228
(512) 936-7268 (facsimile)
Scott.Miles@puc.texas.gov

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CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document will be provided to all parties of record via electronic mail on June 4, 2025, in accordance with the Second Order Suspending Rules, issued in Project No. 50664.

/s/ Scott Miles
Scott Miles