

Buddy Garcia, *Chairman*
Larry R. Soward, *Commissioner*
Bryan W. Shaw, Ph.D., *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

January 8, 2009

Ms. LaDonna Castañuela, Chief Clerk
Office of the Chief Clerk
Texas Commission on Environmental Quality
P.O. Box 13087, MC-105
Austin, Texas 78711-3087

CHIEF CLERKS OFFICE

2009 JAN -8 PM 4: 22

TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY

Re: Application of Buena Vista Water System to change its water rates and tariff under CCN No. 11656 in Burnet County. SOAH Docket No. 582-08-2245; TCEQ Docket No. 2007-1878-UCR.

Dear Ms. Castañuela:

Enclosed for filing with the Texas Commission on Environmental Quality (Commission) is the original plus eleven copies of "The Executive Director's Response to Administrative Law Judge's Request for Clarification of Certain Rate Setting Data and the Executive Director's Exceptions to the Proposal for Decision."

If you have any questions, please call me at (512) 239-0608.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron M. Olson".

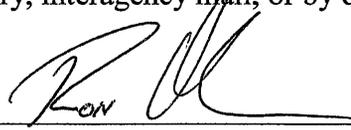
Ron M. Olson
Staff Attorney
Environmental Law Division

Enclosure

cc: Mailing List

CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of January, 2009 a true and correct copy of the foregoing document was delivered via facsimile, hand delivery, interagency mail, or by deposit in the U.S. Mail to all persons on the attached mailing list.



Ron Olson
Environmental Law Division

TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY

2009 JAN - 8 PM 4: 23

CHIEF CLERKS OFFICE

MAILING LIST

Application of Buena Vista Water System to change its water rates/tariff
under CCN No. 11656 in Burnet County

SOAH Docket No. 582-08-2245
TCEQ Docket No. 2007-1878-UCR

FOR SOAH:

Honorable William Newchurch
Administrative Law Judge
State Office of Administrative Hearings
P.O. Box 13025
Austin, Texas 78711-0325
Fax: 475-4994

via Fax and First Class Mail

FOR THE APPLICANT:

Kathie Bryant
Buena Vista Water System
349 CR 139
Burnet, Texas 78611

via First Class Mail

FOR THE PROTESTANTS:

Michael Wortham
P. O. Box 1002
Buchanan Dam, Texas 78609
Fax: 512-793-4788

via Fax and First Class Mail

FOR PUBLIC INTEREST COUNSEL:

Eli Martinez, Attorney
Texas Commission on Environmental Quality
Public Interest Counsel, MC 103
P.O. Box 13087
Austin, Texas 78711-3087
Fax: 512-239-6377

via Hand Delivery

FOR THE CHIEF CLERK:

Ms. LaDonna Castañuela
Texas Commission on Environmental Quality
Office of the Chief Clerk, MC 105
P.O. Box 13087
Austin, Texas 78711-3087

via Hand Delivery

SOAH DOCKET NO. 582-08-2245
TCEQ DOCKET NO. 2007-1878-UCR

APPLICATION OF BUENA VISTA
WATER SYSTEM TO CHANGE ITS
WATER RATES AND TARIFF,
CERTIFICATE OF CONVENIENCE
AND NECESSARY NO. 11656, IN
BURNET COUNTY.

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BEFORE THE TEXAS COMMISSION

ON

ENVIRONMENTAL QUALITY

THE EXECUTIVE DIRECTOR'S RESPONSE TO ADMINISTRATIVE LAW JUDGE'S
REQUEST FOR CLARIFICATION OF CERTAIN RATE SETTING DATA AND THE
EXECUTIVE DIRECTOR'S EXCEPTIONS TO THE PROPOSAL FOR DECISION

TEXAS COMMISSION
ON ENVIRONMENTAL
QUALITY
2009 JAN 13 PM 4: 23
CHIEF CLERK OFFICE

TO THE HONORABLE COMMISSIONERS OF THE TCEQ:

COMES NOW the Executive Director (ED) of the Texas Commission on Environmental Quality (TCEQ or Commission) and files the following response to the ALJ's requested calculations and the Executive Director's Exceptions to the Administrative Law Judge's (ALJ) Proposal for Decision (PFD) in the above captioned matter.

I. Executive Director's Response to ALJ's Requested Clarifications

The ALJ requested in his PFD that the Executive Director clarify certain issues and furnish specific calculations consistent with the ALJ's recommended adjustments. The Executive Director has made the following clarifications and calculations in accordance with the ALJ's directive:

A. Clarification on Net Plant Value for the Chlorine Tester

The ALJ asked for clarification as to whether Mr. Dickey's proposed changes to the net book value for the chlorine tester should be added to or is already reflected in Buena Vista's invested capital.¹ The ED Staff has already included the net book value for the chlorine tester in Buena Vista's invested capital. The chlorine tester's net book value of \$644 is shown as separate line item

¹ PFD, Section VII, Subsection D1, p. 16

in the deprecation schedule that was admitted into evidence as Executive Director's Exhibit ED-2, Attachment BDD-3.

B. Clarification on the Exclusion of A Chlorinator from the Depreciation Schedule

The ALJ asked for clarification as to whether a chlorinator purchased in December of 2006 for \$2,603.95 should have been included in the depreciation schedule.² This chlorinator was specifically excluded from Mr. Dickey's depreciation schedule because it was not used and useful during the test year. Although the chlorinator was purchased in December 2006 there was no evidence to prove that it was put into service during the test year. The disallowance of the \$2,603.95 corresponds to the ALJ's proposed order in Finding of Fact number 37³.

C. Clarification on the Amount of the Disallowance for Meters

The ALJ asked for clarification as to the amount of the disallowance that the ED recommends for meters.⁴ The ED agrees with the ALJ's disallowance of \$1,252 for meters from the total net plant.

D. Calculation of Amount of Payroll Taxes that Should be Disallowed

The ALJ asked for a recalculation of the amount of payroll taxes attributable to Ms. Donnelly that should be disallowed due to the ALJ's reduction of \$2,300 in accounting fees.⁵ The reduction in the accounting fees reduces the payroll taxes by \$194. Staff reached this number by multiplying the Federal Insurance Contribution Act (FICA) rate by \$2,300 and then adding that to the product of Federal Employer's Annual Federal Unemployment Rate (FUTA) and the \$2,300 ($(\$2,300 \times .0765 \text{ FICA rate}) + (\$2,300 \times .008 \text{ FUTA rate}) = \194.35). This \$194 reduction corresponds to the ALJ's

2 PFD, Section VII, Subsection D1, p. 16

3 "In December 2006, Buena Vista spent another \$2,603.95 for another chlorinator. This additional amount was not used and useful to provide service during the test year and should not be added to invested capital."

4 PFD, Section VII, Subsection D1, p. 17

proposed order in Finding of Fact number 79⁶. Buena Vista claimed \$1,738 as the amount of payroll taxes attributed to both Ms. Bryant and Ms. Donnelly. After the reduction of the \$194, the necessary and reasonable amount of payroll taxes for the test year was \$1,544 ($\$1,738 - \$194 = \$1,544$). The amount of the necessary and reasonable payroll taxes relates to the ALJ's Finding of Fact number 78⁷ in his proposed order.

E. Calculation of the Amount of Return and Federal Income Taxes

The ALJ asked for a calculation of the amount of return on invested capital and for the amount of federal income taxes based on the adjustments by the ALJ in his PFD.⁸ Based on the ALJ's adjustments in the PFD, the total invested capital is \$56,350. Therefore, Staff has calculated the return to be \$6,762 ($\$56,350 \times .12 = \$6,762$) and the amount of federal income taxes to be \$1,193.⁹ These amounts correspond to the ALJ's Finding of Facts number 68¹⁰ and 127¹¹.

F. Calculations of the Fixed and Variable Expenses

The ALJ requested that the ED furnish the calculations of the dollar value for each fixed and variable expense in the cost of service.¹² As directed, the ED has made the following calculations consistent with the recommendations contained in the PFD:

5 PFD, Section VII, Subsection E1, p. 23

6 "Based on the above, \$194 of the \$1,738 that Buena Vista claimed in its application for payroll taxes was not reasonable or necessary to provide water service and should be disallowed."

7 "Based on the above, the necessary and reasonable amount of payroll taxes to provide water service during the test year was \$1,544."

8 PFD, Section VII, Subsection E7, p. 31

9 For the calculation of the federal income tax see Exhibit 1 to the ED's Exceptions

10 "Based on the above, the just and reasonable 12-percent return on Buena Vista's \$56,350 of capital usefully invested and used to provide water service is \$6,762."

11 "Based on the above, the income tax expense necessary and reasonable to provide water service is \$1,193, and \$395 should be disallowed from the amount claimed by Buena Vista."

12 PFD, Section IX, p. 35-36

COST OF SERVICE ITEM	Item Cost	%	Fixed	%	Variable
SALARIES	\$15,000	50	\$7,500	50	\$7,500
CONTRACT SERVICES	\$840	90	\$756	10	\$84
PURCHASED SERVICE	\$3,841	0	\$0	100	\$3,841
CHEMICALS AND TREATMENT	\$1,729	0	\$0	100	\$1,729
UTILITIES	\$4,137	0	\$0	100	\$4,137
REPAIRS AND MAINTENANCE	\$4,756	50	\$2,378	50	\$2,378
OFFICE EXPENSE	\$5,279	50	\$2,640	50	\$2,640
ACCOUNTING & LEGAL	\$4,200	100	\$4,200	0	\$0
INSURANCE	\$3,250	100	\$3,250	0	\$0
RATE CASE EXPENSE	\$0	100	\$0	0	\$0
MISCELLANEOUS	\$9,572	50	\$4,786	50	\$4,786
PAYROLL TAXES	\$1,544	50	\$772	50	\$772
TAXES OTHER THAN INCOME	\$1,737	100	\$1,737	0	\$0
ANNUAL DEPRECIATION & AMORTIZATION	\$3,835	100	\$3,835	0	\$0
INCOME TAXES	\$1,193	100	\$1,193	0	\$0
RETURN	\$6,762	100	\$6,762	0	\$0

These fixed and variable expenses correspond to the ALJ's proposed order in Finding of Fact number 139.

II. The Executive Director's Exceptions to the PFD

The Executive Director will address issues and concerns with various sections of the PFD, however, the main exceptions the Executive Director will address include: the calculation of total invested capital by including the working cash allowance and the ED request to deny Buena Vista's rate application but not lower the utility's existing rate.

A. EXCEPTIONS/COMMENTS

1. Clarification of ALJ's Proposed Finding of Fact 137 and Conclusion of Law 28

The ALJ stated in his proposed Finding of Fact number 137 that each 1-inch meter has an equivalency factor of 7.5 times that of a 5/8 by 3/4-inch meter. However, the American Water Works Association established an equivalency factor for a 1-inch meter as 2.5 times that of a 5/8 by

3/4-inch meter.¹³ Buena Vista has three customers with a 1-inch meter. The ALJ's equivalency factor of 7.5 includes all three of Buena Vista's 1-inch connections ($3 \times 2.5 = 7.5$). Therefore, the ED recommends revising the ALJ's proposed Finding of Fact number 137 to read "A 1-inch meter has an equivalency factor of 2.5 times that of a 5/8 by 3/4-inch meter."

The ALJ stated in his proposed Conclusion of Law number 28 that Buena Vista claimed a revenue requirement of \$96,015. However, after subtracting Buena Vista's collection of "other revenue" in the amount of \$1,072, Buena Vista claimed a revenue requirement of \$94,943 in its application. Therefore, the ED recommends revising the ALJ's proposed Conclusion of Law number 28 to read "Based on the above Findings of Fact and Conclusions of Law, the \$_____ that should be disallowed from the \$94,943 that the Buena Vista claimed as its revenue requirement exceeds the \$14,431.13 increase in revenue included in that \$94,943."

2. Calculation of Total Invested Capital and Amount of Return

The ED has two concerns with the calculation of the total invested capital in the ALJ's PFD. The first concern relates to the addition of the net book value for a portable turbidimeter and two replacement meters to the net invested capital. In the PFD, the ALJ agreed with the ED that the net book value of \$721 for a portable turbidimeter and two replacement meters should be included in Buena Vista's net invested capital.¹⁴ However, it does not appear that the ALJ actually added the \$721 to his calculations of net invested capital. In his chart on page 21 of the PFD, the ALJ lists the various dollar amounts of the items that he recommends should be added to and subtracted from Buena Vista's claimed net invested plant in order to calculate the return on the invested capital. The addition of the \$721 net book value for the portable turbidimeter and the two replacement meters

¹³ The equivalency factor of 2.5 for a 1-inch meter is shown in Section VII, Table VII, entitled Number of Customers in the TCEQ's standard rate application.

was not listed. Therefore, the ED recommends adding the \$721 to the net invested capital.

The second concern involves the addition of working capital allowance to the net invested plant to calculate the total invested capital. In his chart on page 21 of the PFD, it appears that the ALJ did not include the working capital allowance in his calculations of the total invested capital. Title 30 of the Texas Administrative Code Section 291.31(c)(2) states that the total invested capital is made up of two components: (1) the net plant invested and (2) the working capital allowance. With the addition of the \$721 to the ALJ's calculation of the net plant, as discussed above, the adjusted net plant equals \$57,071 ($\$56,350 + \$721 = \$57,071$). The working capital allowance is calculated as 1/8 of the utility's total annual operations and maintenance expense¹⁵. Based on the ALJ's PFD, Buena Vista's annual operations and maintenance expense is \$52,604. Therefore, 1/8 of the operations and maintenance expense equals a working capital allowance of \$6,576 ($\$52,604 / 8 = \$6,576$). Accordingly, the total invested capital for Buena Vista Utility is \$63,647 ($\$57,071 + \$6,576 = \$63,647$). A revised chart depicting the ED's recommended additions to total invested capital is found below:

CALCULATIONS OF TOTAL INVESTED CAPITAL	
Claimed	\$67,692
Pumps	\$66
Turbidity Monitor	\$570
Meters	\$-1,252
Office Equipment	\$-916
Printer Purchase In July 2007	\$-350
Dodge Truck	\$-9,460
Portable Turbidimeter/Replacement meters	\$721
Working Capital Allowance	\$6,576
Total Invested Capital	\$63,647

By adjusting the dollar amount of the total invested capital, the calculations for the amount of

return, federal income taxes, and the final base rate must be revised. Using the revised amount of total invested capital (\$63,647) the amount of return is \$7,638 ($\$63,647 \times .12 = \$7,638$). The amount of the federal income taxes would change from \$1,193 to \$1,348.¹⁶ Finally, the adjusted based rate would be as follows.¹⁷

	CURRENT	NEW
Base monthly rate for 5/8 or 3/4-inch meter with zero gallons	\$33.00	\$31.45
Base monthly rate for 1-inch meter with zero gallons	\$48.41	\$78.63
Charge per 1,000 gallons	\$2.75	\$2.75
Transfer fee	\$0	\$20.00
Return check charge	\$20.00	\$25.00
Meter test fee	\$0	\$25.00

The ED recommends that a net book value of \$721 for the portable turbidimeter and the two replacement meters and a working capital allowance of \$6,576 be added to Buena Vista's total invested capital.

3. The Existing Rates Should Not Be Lowered.

Buena Vista's proposed rate change included a gallonage charge of \$3.25/1000 gallons and a base rate of \$40.00 for a standard 5/8 x 3/4-inch residential meter (0 gallons included in the base rate). The existing rates were \$2.75/1000 gallons with a base rate of \$33.00 for a standard 5/8 x 3/4-inch residential meter (including 0 gallons in the base rate). Based on the ALJ's PFD, the ED believes that the ALJ will recommend a base rate of \$30.77 and a gallonage rate of \$2.75/1000 gallons (0 gallons included).¹⁸ The Executive Director's exceptions to the ALJ's recommendation, which if approved, results in a base rate of \$33.00 for a standard 5/8 x 3/4-inch residential meter and

15 30 TEX. ADMIN. CODE § 291.31(c)(2)(B)(iii)

16 For the calculations with the ED's exception for the federal income tax see Exhibit 2

17 See Exhibit 3 that is attached to the ED's exceptions for a detailed calculation of what the rates would be with the addition of the working capital allowance and the \$721 net book value to the total invested capital.

18 See Exhibit 4 that is attached to the Executive Director's Exceptions

a gallonage rate of \$2.75/1000 gallons (0 gallons included).

The ALJ's recommendations on rate design were based solely upon verifiable data presented by the applicant during the rate review and the hearing on the merits. As were the Executive Director's rate design modifications which flow from the ED's exceptions to the PFD. Furthermore, both the ED's and the ALJ's rate designs provide for a rate that is lower than the Applicant's existing rates. In short, the ALJ recommends lowering the existing rates to only what the Applicant has supported. The ED understands the ALJ's recommendation to lower the existing rates and the ED agrees that lowering the existing rates is well within the power of this Commission. However, in order to preserve the financial integrity of the utility, the Executive Director recommends maintaining, rather than lowering Buena Vista's existing rate. The Applicant's immediately preceding rate application from 2006 resulted in a similar situation. In that case, the Commission adopted the ED's and the ALJ's recommendations to revert to Buena Vista's existing rates rather than lower them to the levels supported at the hearing. The ED believes that sound policy reasons continue to militate in favor of this course of action in this case as well.

The Commission's rules regarding rate design state:

In fixing the rates of a utility, the Commission shall fix its overall revenues at a level which will permit such a utility a reasonable opportunity to earn a reasonable return on its invested capital used and useful in rendering service to the public, over and above its reasonable and necessary operating expenses and *preserve the financial integrity of the utility.*

30 TEX. ADMIN. CODE § 291.32 (emphasis added).

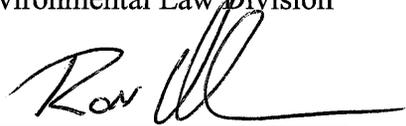
The ED does not believe that either its own or the ALJ's rate designs will serve either of the goals in 30 TAC § 291.32. That is, the recommended rates will not generate sufficient revenue to

meet the Utility's reasonable and necessary operating expenses or preserve the Utility's financial integrity. If the system was demonstrated to be competently managed, kept in compliance with all of the TCEQ's rules, and a proper application was submitted with all of the verifiable costs accounted for, the rates would likely be higher than the existing rates. However, the applicant has shown a continued inability to comply with the Commission's most basic bookkeeping and management rules, has twice failed to submit an adequate or proper rate application, and has received various enforcement violations for system noncompliance. The ED does not wish to reward this behavior pattern and substandard service, however, the ED also believes that further reductions in revenue are more likely to cause the system to further decline and perhaps result eventually in receivership. Instead, the Executive Director recommends that the rate increase be denied and the Applicant be ordered to revert back to the existing rates set by a previous Commission order. Hopefully then, the Applicant will use this as an opportunity to seek assistance to run the system according to the Commission's rules as so many other small owner/operators continue to do. The ED believes that the enforcement process and the assistance opportunities available to Buena Vista provide for the best opportunity for getting this utility back on track.

Respectfully submitted,

Mark R. Vickery, P.G.
Executive Director

Robert Martinez, Director
Environmental Law Division

By 
Ron M. Olson, Staff Attorney
Environmental Law Division
State Bar of Texas No. 24056070
P.O. Box 13087; MC-173
Austin, Texas 78711

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Utility Name: Buena Vista Water System
 Docket Number: 35729-R
 From: 1/1/2006 To: 12/31/2006

version: 20070403

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 8-Jan-09

SCHEDULE I(a) - OPERATIONS & MAINTENANCE

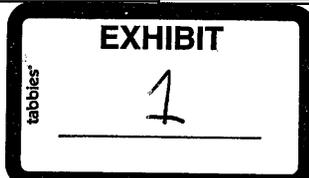
	COMPANY TEST YEAR (a)	Staff Recom Amount (b)	PROPOSAL FOR DECISION (c)=(a)+(b)	STAFF EXCEPTION (c)=(a)+(b)	STAFF NET ADJUSTED AMT (e)=(c)+(d)
SALARIES	\$15,000	\$0	\$15,000		\$15,000
CONTRACT SERVICES	\$840	\$15,840	\$840		\$840
PURCHASED WATER	\$3,841	\$3,841	\$3,841		\$3,841
CHEMICALS AND TREATMENT	\$1,729	\$1,729	\$1,729		\$1,729
UTILITIES	\$4,137	\$4,137	\$4,137		\$4,137
REPAIRS AND MAINTENANCE	\$8,526	\$4,756	\$4,756		\$4,756
OFFICE EXPENSE	\$9,759	\$5,279	\$5,279		\$5,279
ACCOUNTING AND LEGAL	\$6,500	\$4,200	\$4,200		\$4,200
INSURANCE	\$4,102	\$3,250	\$3,250		\$3,250
RATE CASE EXPENSE	\$500	\$0	\$0		\$0
MISCELLANEOUS	\$19,254	\$9,826	\$9,572		\$9,572
TOTAL	\$74,188	\$52,858	\$52,604	\$0	\$52,604

SCHEDULE I(b) - OTHER TAXES

	COMPANY TEST YEAR (a)	Staff Recom Amount (b)	PROPOSAL FOR DECISION (c)=(a)+(b)	STAFF EXCEPTION (d)	STAFF NET ADJUSTED AMT (e)=(c)+(d)
AD VALOREM TAXES	\$1,737	\$1,737	\$1,737		\$1,737
PAYROLL TAXES	\$1,738	\$0	\$1,544	\$0	\$1,544
OTHER TAXES-MISC			\$0		\$0
NON-REVENUE RELATED	\$3,475	\$1,737	\$3,281	\$0	\$3,281
TWC ASSESSMENT			\$0		\$0
REVENUE RELATED TAXES	\$0	\$0	\$0		\$0
TOTAL OTHER TAXES	\$3,475	\$1,737	\$3,281	\$0	\$3,281
	77,663	54,595	55,885	0	55,885

SCHEDULE I(c) - FEDERAL INCOME TAXES

REVENUE REQUIREMENT	\$67,675
LESS:	
OPERATIONS AND MAINTENANCE	-\$52,604
DEPRECIATION AND AMORTIZATION	-\$3,835
OTHER TAXES	-\$3,281
INTEREST EXPENSE	\$0
TAXABLE INCOME	\$7,955
TAXES @ FACTOR :	\$0
SUB-TOTAL	\$1,193
LESS:	
SURTAX EXEMPTION :	\$0
FEDERAL INCOME TAXES	\$1,193



ALJ's Requested Calculations

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Utility Name: Buena Vista Water System
 Docket Number: 35729-R
 t Period: From: 1/1/2006 To: 12/31/2006

version: 20070403

12:34 PM

8-Jan-09

SCHEDULE I(a) - OPERATIONS & MAINTENANCE

	COMPANY TEST YEAR (a)	Staff Recom Amount (b)	PROPOSAL FOR DECISION (c)=(a)+(b)	STAFF EXCEPTION (c)=(a)+(b)	STAFF NET ADJUSTED AMT (e)=(c)+(d)
SALARIES	\$15,000	\$0	\$15,000		\$15,000
CONTRACT SERVICES	\$840	\$15,840	\$840		\$840
PURCHASED WATER	\$3,841	\$3,841	\$3,841		\$3,841
CHEMICALS AND TREATMENT	\$1,729	\$1,729	\$1,729		\$1,729
UTILITIES	\$4,137	\$4,137	\$4,137		\$4,137
REPAIRS AND MAINTENANCE	\$8,526	\$4,756	\$4,756		\$4,756
OFFICE EXPENSE	\$9,759	\$5,279	\$5,279		\$5,279
ACCOUNTING AND LEGAL	\$6,500	\$4,200	\$4,200		\$4,200
INSURANCE	\$4,102	\$3,250	\$3,250		\$3,250
RATE CASE EXPENSE	\$500	\$0	\$0		\$0
MISCELLANEOUS	\$19,254	\$9,826	\$9,572		\$9,572
TOTAL	\$74,188	\$52,858	\$52,604	\$0	\$52,604

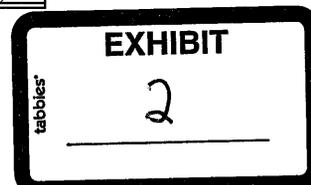
SCHEDULE I(b) - OTHER TAXES

	COMPANY TEST YEAR (a)	Staff Recom Amount (b)	PROPOSAL FOR DECISION (c)=(a)+(b)	STAFF EXCEPTION (d)	STAFF NET ADJUSTED AMT (e)=(c)+(d)
AD VALOREM TAXES	\$1,737	\$1,737	\$1,737		\$1,737
PAYROLL TAXES	\$1,738	\$0	\$1,544	\$0	\$1,544
OTHER TAXES-MISC			\$0		\$0
NON-REVENUE RELATED	\$3,475	\$1,737	\$3,281	\$0	\$3,281
TWC ASSESSMENT			\$0		\$0
REVENUE RELATED TAXES	\$0	\$0	\$0		\$0
TOTAL OTHER TAXES	\$3,475	\$1,737	\$3,281	\$0	\$3,281
	77,663	54,595	55,885	0	55,885

SCHEDULE I(c) - FEDERAL INCOME TAXES

REVENUE REQUIREMENT	\$68,706
LESS:	
OPERATIONS AND MAINTENANCE	-\$52,604
DEPRECIATION AND AMORTIZATION	-\$3,835
OTHER TAXES	-\$3,281
INTEREST EXPENSE	\$0
TAXABLE INCOME	\$8,986
TAXES @ FACTOR :	\$0
SUB-TOTAL	\$1,348
LESS:	
SURTAX EXEMPTION :	\$0
FEDERAL INCOME TAXES	\$1,348

ALJ's Requested calculations with ED's exceptions



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

DOCKET # 35729-R UTILITY: Buena Vista Water System

Printed on: 8-Jan-09 time: 12:37 PM

version: 20070403

Preliminary - Subject To Change

REVENUE REQUIREMENT

COST OF SERVICE ITEM	Item Cost	%	Fixed	%	Variable
SALARIES	\$15,000	50	\$7,500	50	\$7,500
CONTRACT SERVICES	\$840	90	\$756	10	\$84
PURCHASED SERVICE	\$3,841	0	\$0	100	\$3,841
CHEMICALS AND TREATMENT	\$1,729	0	\$0	100	\$1,729
UTILITIES	\$4,137	0	\$0	100	\$4,137
REPAIRS AND MAINTENANCE	\$4,756	50	\$2,378	50	\$2,378
OFFICE EXPENSE	\$5,279	50	\$2,640	50	\$2,640
ACCOUNTING & LEGAL	\$4,200	100	\$4,200	0	\$0
INSURANCE	\$3,250	100	\$3,250	0	\$0
RATE CASE EXPENSE	\$0	100	\$0	0	\$0
MISCELLANEOUS	\$9,572	50	\$4,786	50	\$4,786
DEPRECIATION & AMORTIZATION	\$3,835	100	\$3,835	0	\$0
TAXES OTHER THAN INCOME	\$1,737	100	\$1,737	0	\$0
PAYROLL TAXES	\$1,544	50	\$772.00	50	\$772
			\$0.00	100	\$0
SUB-TOTAL (LESS FIT & RETURN)	59,720		\$31,853		\$27,867
% OF TOTAL (FIXED + VARIABLE)		1.00		0.00	
FEDERAL INCOME TAXES	1,348		1,348		0
RETURN	7,638		7,638		0
LESS OTHER REVENUES	-1,072		-1,072		0
TOTAL	\$67,634		\$39,767		\$27,867

APPLICANT'S REQUESTED RATES	
Minimum bill:	0 gallons
(includes	
5/8 x 3/4"	\$40.00
1"	53.41
1-1/2"	
2"	
3"	
4"	
6"	
8"	
Gallage rate:	\$3.25 /1,000 gallons
Rev. Reques'd:	\$63,367
Rev. Gen'd :	\$82,547

RATE CALCULATION

GALLONAGE CHARGE

Variable Cost/Test Year Gallons/1,000 =====>

Calculating a flat rate? y

\$3.85 /TH.GAL.

MINIMUM BILL

Fixed Cost/12/Connection Equivalents =====>

\$26.20 /MO.
\$26.20 /MO. incl. min. gallons

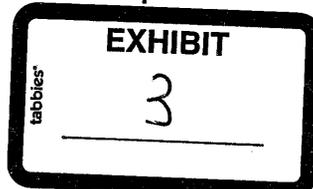
STAFF'S PROPOSED RATE	
USE ->	\$2.75 /TH.GAL.
YIELDS ->	\$31.45 /MO. 31.45 /MO. incl. min. gallons
ANNUAL REVENUE GENERATED:	\$67,634

REVENUE GENERATED SUMMARY:

Connection Size	# of Connections	Minimum Bill			Rev./Year
		Min. Bill	Including Gals	Rev./Month	
5/8", 3/4"	119	31.45	\$31.45	\$3,743	\$44,915
1"	3	78.63	78.63	236	2,831
1-1/2"	0	157.27	157.27	0	0
2"	0	251.62	251.62	0	0
3"	0	471.80	471.80	0	0
4"	0	786.33	786.33	0	0
6"	0	1572.65	1572.65	0	0
8"	0	2516.24	2516.24	0	0

TOTAL MINIMUM CHARGES=>		\$47,746
GALLONAGE CHARGES=>	7,232 @	\$2.75 /1,000 GAL 19,888
TOTAL REVENUE GENERATED=>		\$67,634

ALJ's requested calculations with ED exceptions



Rate Design

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

DOCKET # 35729-R **UTILITY:** Buena Vista Water System

Printed on: 8-Jan-09 time: 12:39 PM

version: 20070403

Preliminary - Subject To Change

REVENUE REQUIREMENT

COST OF SERVICE ITEM	Item Cost	%	Fixed	%	Variable
SALARIES	\$15,000	50	\$7,500	50	\$7,500
CONTRACT SERVICES	\$840	90	\$756	10	\$84
PURCHASED SERVICE	\$3,841	0	\$0	100	\$3,841
CHEMICALS AND TREATMENT	\$1,729	0	\$0	100	\$1,729
UTILITIES	\$4,137	0	\$0	100	\$4,137
REPAIRS AND MAINTENANCE	\$4,756	50	\$2,378	50	\$2,378
OFFICE EXPENSE	\$5,279	50	\$2,640	50	\$2,640
ACCOUNTING & LEGAL	\$4,200	100	\$4,200	0	\$0
INSURANCE	\$3,250	100	\$3,250	0	\$0
RATE CASE EXPENSE	\$0	100	\$0	0	\$0
MISCELLANEOUS	\$9,572	50	\$4,786	50	\$4,786
DEPRECIATION & AMORTIZATION	\$3,835	100	\$3,835	0	\$0
TAXES OTHER THAN INCOME	\$1,737	100	\$1,737	0	\$0
PAYROLL TAXES	\$1,544	50	\$772.00	50	\$772
			\$0.00	100	\$0
SUB-TOTAL (LESS FIT & RETURN)	59,720		\$31,853		\$27,867
% OF TOTAL (FIXED + VARIABLE)		1.00		0.00	
FEDERAL INCOME TAXES	1,193		1,193		0
RETURN	6,762		6,762		0
LESS OTHER REVENUES	-1,072		-1,072		0
TOTAL	\$66,603		\$38,737		\$27,867

APPLICANT'S REQUESTED RATES	
Minimum bill:	0 gallons
(includes	
5/8 x 3/4"	\$40.00
1"	53.41
1-1/2"	
2"	
3"	
4"	
6"	
8"	
Gallage rate:	\$3.25 /1,000 gallons
Rev. Reqes'd:	\$63,367
Rev. Gen'd :	\$82,547

RATE CALCULATION

GALLONAGE CHARGE

Variable Cost/Test Year Gallons/1,000 =====>

Calculating a flat rate? y

\$3.85 /TH.GAL.

MINIMUM BILL

Fixed Cost/12/Connection Equivalents =====>

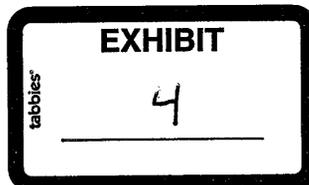
\$25.52 /MO.
\$25.52 /MO. incl. min. gallons

STAFF'S PROPOSED RATE	
USE ->	\$2.75 /TH.GAL.
YIELDS ->	\$30.77 /MO. 30.77 /MO. incl. min. gallons
ANNUAL REVENUE GENERATED:	\$66,603

REVENUE GENERATED SUMMARY:

Connection Size	# of Connections	Minimum Bill			Rev./Year
		Min. Bill	Including Gals	Rev./Month	
5/8", 3/4"	119	30.77	\$30.77	\$3,662	\$43,945
1"	3	76.94	76.94	231	2,770
1-1/2"	0	153.87	153.87	0	0
2"	0	246.19	246.19	0	0
3"	0	461.61	461.61	0	0
4"	0	769.35	769.35	0	0
6"	0	1538.71	1538.71	0	0
8"	0	2461.93	2461.93	0	0

TOTAL MINIMUM CHARGES=> \$46,715
 GALLONAGE CHARGES=> 7,232 @ \$2.75 /1,000 GAL 19,888
TOTAL REVENUE GENERATED=> \$66,603



ALJ REQUESTED CALCULATIONS