

**SOAH DOCKET NO. 582-08-2863  
TCEQ DOCKET NO. 2008-0093-UCR**

<b>APPEAL OF THE RETAIL WATER</b>	<b>§</b>	<b>BEFORE THE TEXAS COMMISSION</b>
<b>AND WASTEWATER RATES OF</b>	<b>§</b>	<b>ON</b>
<b>THE LOWER COLORADO RIVER</b>	<b>§</b>	<b>ENVIRONMENTAL QUALITY</b>
<b>AUTHORITY</b>	<b>§</b>	

---

**THE EXECUTIVE DIRECTOR'S  
REPLY EXCEPTIONS TO THE PROPOSAL FOR DECISION**

---

TO THE HONORABLE COMMISSIONERS:

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

**I. LIST OF REVISED ATTACHMENTS**

Attachment A-R – Table 1 Revenue Requirement (Water)  
Attachment B-R – Table 2 Revenue Requirement (Sewer)  
Attachment C-R – Table 3 Adjustments (N. Heddin) Calculation  
Attachment D-R – Table 4 Customer Class Split-Out Worksheet  
Attachment E-R – Revenue Generation Calculation (Water)  
Attachment F-R – Revenue Generation Calculation (Sewer)

**II. TEST YEAR**

In their Exceptions, the City of Bee Cave and the Districts argue that the rates should be rolled back to what they were prior to the rate increase. This is based on the legal argument that "failure to use a historic test year as a basis for setting rates is reason enough to reject LCRA's rate increases in their entirety." BC Exceptions, p. 9. This theory derives from the definition of "test year" found in Water Code Section 13.002(22). The interpretation of this provision was hotly contested and if interpreted as BC suggests, would results in rates being unjust and unreasonable *as a matter of law* anytime rates are based on a budget. Given that "[v]irtually all political subdivisions calculate cost of service using budgeted expenses," (see *Chisholm Trail* below) such an interpretation would have reverberating impacts across Texas on cities and districts providing water service. The ALJ correctly rejected this interpretation, noting that "the Water Code nowhere states that a retail public utility must use a historical test year, or any test

year, in establishing its rates or proving them reasonable on appeal.” PFD p. 14. Thus, the ED, LCRA, OPIC and the ALJ agree that a historical test year is not required by a retail public utility in order to prove just and reasonable rates. The Commission itself has rejected this interpretation. In *Chisholm Trail*, cited by the ALJ, the Commission stated in Finding of Fact No. 17:

17. It is reasonable and appropriate for the District to adjust its test year expenses according to its budgeted expenses.
  - a. The calculation of a utility’s costs of service using budgeted expenses is appropriate for a political subdivision.
  - b. Virtually all political subdivisions calculate cost of service using budgeted expenses.
  - c. This practice is consistent with the standard ratemaking principles provided the budget is a reliable forecast of anticipated expenses.
  - d. The District’s actual expenses were within 3% of its budget, indicating the District’s budget is a reliable forecast of anticipated expenses.

The Districts cite to Finding of Fact #19 from *Chisholm Trail* for the proposition that “a retail public utility’s annual budget is a reliable forecast of anticipated expenses if the budget is based on historic test year costs and expenses, adjusted for known and measurable changes.” Districts Exceptions, p. 4(emphasis removed). But Finding of Fact #19 does not support the Districts’ assertion as it makes no reference to a budget but only to the revenue requirement.<sup>1</sup> Moreover, this assertion, if true, only invites further discussion on the meaning of “based on.” Certainly any budget will make some reference to historical expenses.

That aside, under the *Chisholm Trail* Findings, retail public utilities are not required to use an historic test year as the bases for their cost of service and are free to use budgets. The above findings of fact suggest that this is acceptable “provided the budget is a reliable forecast of anticipated expenses.” *Chisholm Trail*, FOF#17(c). In that particular case, the Commission found that the Chisholm Trail SUD was within 3% of its budget, and that indicated the budget was a reliable forecast of anticipated expenses.

In the present case, the ALJ finds the use of the FY 2010 budget was not a reliable

forecast of the WTC System's anticipated expenses for setting rates in 2007. FOF#45. The ED similarly rejected the use of budgeted revenue requirements for FY 2009 and FY 2010 because "the information forecasted in these years was not timely enough to rely on to set rates."<sup>2</sup> Nevertheless, the ED had no problem with the use of a budgeted test year, because "A revenue requirement, for a government-owned, non-profit entity such as LCRA, is determined by developing a cost of service based on a historical test year, a current test year, or a future test year." Id. at 6:2-5. The ED found it appropriate to use the budget for the fiscal year ending June 2008 because it was set by June 2007, and the rates were approved by the Board within two months of that date.

If using a budgeted test year is acceptable only if it is a reliable forecast of anticipated expense, the question arises, What makes a budget reliable? In *Chisholm Trail*, the Commission found that coming within 3% of budget was an indication of reliability. In the present case, the ALJ does not give any such guidance. The ED believes that LCRA has demonstrated that its budgets are reliable for the following reasons.

For FY 2006, the expenses for the WTC Regional Water System were in aggregate within 1% of budget, with an under-recovery of \$3.9 million.<sup>3</sup> For the same fiscal year, the Wastewater system was within 17% of budget, under-recovering \$2.1 million.

For FY2008, SK-4 (FY 07) shows that O&M expenses were 17% higher than budget for water and 11% higher than budget for sewer. Total expenses (including O&M, debt service, coverage, reserves, and community development) exceeded budget for water and wastewater by 8% and 5% respectively.<sup>4</sup> This shows that the revenues collected were insufficient to cover expenses and rates were lower than LCRA could justify with actual expenses. Rates based on the budget would be reasonable to the customers because the budget was lower than actual expenses incurred in producing the cost of service, and LCRA was recovering less than its cost of providing service to its customers.

The ED believes using a FY 2008 budget is reasonable because the overall 8% and 5% budget variations for the total cost of service are reasonable. The ED further agrees with Mr. Kellicker that the budget is a reliable forecast of the total anticipated expenses within the revenue

---

<sup>1</sup> *Chisholm Trail*, FOF#19 states "The District's revenue requirement is reasonable: a. All costs and expenses are based on the District's test year expenses, as adjusted for known and measurable changes" . . . etc.

<sup>2</sup> ED Ex. 1 at 9:15 – 10:1 (direct-testimony D. Loockerman).

<sup>3</sup> LCRA Ex. 4 at 10:19-24 (direct-examination of S. Kellicker); SK-3.

<sup>4</sup> LCRA Ex. 4 at 10:26-33 (direct-examination of S. Kellicker); SK-4.

requirement.<sup>5</sup> Individual expense items within a budget the size of LCRA's should not be expected to have variations equal to or less than that of the variations in the total expenses. The ED does not consider 3% a maximum budget variation to determine reliability of a forecast for the expenses of a non-profit district. Three percent is a reasonable variation, but so are 8% and 5%. The ED believes that LCRA's numbers are a reasonable reliable forecast of anticipated expenses.

Further support for the reliability of the budget come from looking at BC-75, prepared much closer to the beginning of the FY 08 than the 2007 Business Plan, which shows that total budgeted expenses for the WTC water system are set at \$13,107,346<sup>6</sup> which is \$362,753 (2.7%) less than the total original budget of \$13,470,099<sup>7</sup>. The final total expenditure level for the approved annual budget was within even the 3% standard asserted by the Ratepayers. Because the aggregate variation is 2.7%, the ED believes that the use of a budgeted "test year" is further supported by BC-75.

Thus, the ED found the using of a budgeted test year acceptable, the revenue requirement for that test year reasonable, and the information that served as a basis for that budget reliable. Additionally, the ED believes the rates are just and reasonable through all three phases because even the third and highest phase of the rate increase can be justified based on the FY 2008 budgeted test year.<sup>8</sup>

### **III. VOLUME AS AN ALLOCATOR**

For the reasons set out in LCRA's Exceptions to the PFD, the ED recommends finding that volume is a reasonable allocator as applied by LCRA.

### **IV. USE OF ACTUAL FY 2007 DATA**

In the ED's Exceptions, the ED attempted to calculated the revenue requirement based on actual FY 2007 data, as recommended by the ALJ. Upon reviewing the Exceptions of the parties, the ED determined that his calculations contained several errors. The ED corrected these errors and now submits revised calculations that should replace the Attachments in the ED's Exceptions.

---

<sup>5</sup> LCRA Ex. 11 at 5:13-17 (rebuttal-examination of S. Kellicker).

<sup>6</sup> BC Ex. 79 "West Travis County Water System FY 2008 Budget".

<sup>7</sup> ED Ex. 1, Attachment 4a "Total Costs of Service" line.

<sup>8</sup> ED Ex. 2 at 7:6-17 (direct testimony of H. Graham).

### **A. Revenue Requirements (Attachments A-R – D-R)**

Table 1 (Attachment A-R) reflects two changes. First, in Column C, lines 22 through 28, the ED had inadvertently used SK-3 to populate the numbers. The revised table correctly draws data from SK-4. In this table, the ED further changed the allocation percentages in shifting from volume to direct labor to reflect the percentage numbers in BC-77 from 63.9/ 21 to 56.6/21. Originally the ED assumed the numbers in SK-4 represented the whole West Travis County Region, when in fact, those numbers are for West Travis County Water and Wastewater only. This necessitated the gross-up factor changing from 63.9 to the appropriate factor on BC-77 (56.6 or in the case of New Business, 55.9). These changes result in a revenue requirement of \$5,763,026 for water, see Attachment A-R, which is approximately \$200,000 less than the ED's calculation in his Exceptions. Attachments C-R and D-R are also changed to reflect these new numbers.

Table 2 (Attachment B-R) reflects one change. As in Table 1, the gross up to the cost pool percentage changes to wastewater only (from 63.9% to 4.2%) and in allocating based on direct labor instead of volume, the ED changes the percentages from 63.9/21 to 4.2/6.2, to reflect the numbers in BC-77. This results in a revenue requirements of \$2,043,507 for sewer, see Attachment B-R, which is an increase of approximately \$200,000 over the ED's calculations in his Exceptions.

Therefore, as can be seen on Tables 1 and 2, the ED's revisions decrease the revenue requirement for water by approximately \$200,000 and increase it for sewer by about the same amount. These numbers were then carried to Attachments E-R and F-R to show the impact on rates.

### **B. Rates (Attachments E-R and F-R)**

The revenue requirements calculated in Tables 1 and 2 were carried to Attachments E-R and F-R to compare the rates adopted by LCRA to the revenue requirement based on the FY2007 actual data. The ED focuses on the third phase of the rate increase because that represents the highest rate of the three phased increase. As can be seen in these attachments, the third phased increase results in a 2% *over* recovery compared to a 4% *under* recovery using the FY 2008 budget.

The ED believes this variance is immaterial for several reasons. First, the calculations are based on assumptions the ED made for usage within gallonage tiers for both water and sewer.

Also, rounding error can result in at least +/- 2% inaccuracy in the resulting numbers. Moreover, in light of the substantial increase in the under recovery of sewer in the third phase, the 2% over recovery for water is immaterial. As can be seen in Attachment F-R, the third phase of the sewer rate increase results in a 32% under recovery using FY 2007 actual sewer data, compared to a 17% under recovery using 2008 budget. Thus, any over recovery on the water side is offset by the significant under recovery on the sewer side. Additionally, no known and measurable changes have been included to the actual data, as discussed by the ALJ in his PFD, and it is reasonable to believe that expenses would increase in future periods. Finally, although the ED does not agree that the 3% *Chisholm Trail* accuracy standard espoused by the Protestants is appropriate, the resulting error factor is, nevertheless, still under this 3% standard. Accordingly, the revised numbers do not change the ED's opinion that LCRA's rate should be approved as originally adopted by the Board.

#### V. RATE CASE EXPENSES

In its Exceptions, LCRA proposes that, if the Commission finds that it is entitled to reasonable rate case expenses, a surcharge be imposed on all 4,925 connections in the WTC Region for a period of 24 months. The ED believes that 36 months is a more appropriate duration.<sup>9</sup> This is because 36 months is the equivalent duration of this contested case hearing.

The ED further believes that it is inappropriate to impose a surcharge on all connections in the WTC Region because the region contains four rate districts and only two of those districts appealed. The City and the Districts are in the LCRA water rate districts of Bee Cave and Bee Cave South.<sup>10</sup> The other rate districts are HPR/290 (Hamilton Pool Road) and Homestead Meadowfox.<sup>11</sup> Neither HPR/290 nor Homestead Meadowfox appealed the rates set by LCRA, though both rate districts had high base rates than those of the rate districts that appealed.<sup>12</sup> The rates for HPR/290 and Homestead Meadowfox were set forth in separate ordinances from Bee Cave and Bee Cave South.<sup>13</sup>

The ED acknowledges that HPR/290 and Homestead Meadowfox benefitted from the interim rates set by Order No. 9 because the third step volume charge of their rate increase was

---

<sup>9</sup> ED Ex. 1 at 12:10-12 (direct testimony of D. Loockerman).

<sup>10</sup> Tr. 2420:11-15 (cross-examination of S. Zarling).

<sup>11</sup> Tr. 2422:16-25 (cross-examination of S. Zarling).

<sup>12</sup> LCRA Ex. 1, SZ-9 at 26-28.

<sup>13</sup> LCRA Ex. 1, SZ-9 at 22-25 and 26-28.

not implemented.<sup>14</sup> The ED notes that Order No. 9 did not explicitly include the non-appealing rate districts of HPR/290 and Homestead Meadowfox. There is no indication that the customers in the non-appealing rate districts were unwilling or unable to pay the rates set by LCRA. These customers had the right to appeal the rates but did not.

The ED believes that it would be unfair to impose a surcharge for rate case expenses on the customers in the non-appealing rate districts. Therefore the ED suggests that, if the Commission determines that LCRA is entitled to recover its reasonable rate case expenses, the number of connections be 3,683 – the number of connections in the rate districts that appealed the rates, Bee Cave and Bee Caves South.<sup>15</sup>

## VI. CONCLUSION

The ALJ correctly determined that LCRA was not required to use a historical test year. Such a requirement would mean that any retail public utility that does not use a historical test year has unreasonable rates as a matter of law. This interpretation should be rejected by the Commission.

The ED continues to support LCRA's rates as adopted by its Board of Directors on August 22, 2007. The ED's revised calculations based on the ALJ's recommendation to use FY 2007 actual data does not result in these rates being unjust or unreasonable. Although the calculations show a 2% over-recovery at the third phase of the increase, the ED believes this margin of error is immaterial for the reasons set out above. At every year, LCRA is under-recovering by a much more significant amount.

Therefore, the ED continues to recommend that the Commission reject the PFD, adopt all three phases of LCRA's rate increase as final, allow the recovery of lost revenue and rate case expenses, and make changes to the Order consistent with the above recommendations.

Respectfully submitted,

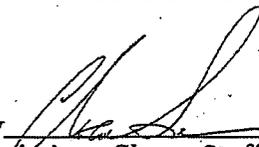
Mark R. Vickery, P.G.  
Executive Director

Robert Martinez, Director  
Environmental Law Division

---

<sup>14</sup> Tr. 2394:19-25, 2395:1 (discussion of preliminary rates applied to rate districts that did not appeal).

<sup>15</sup> Tr. 2520:11-12.

By   
Christian Siano, Staff Attorney  
Environmental Law Division

im rates had been

State Bar of Texas No. 24051335  
P.O. Box 13087; MC-173  
Austin, Texas 78711

**CERTIFICATE OF SERVICE**

I hereby certify that on this 10<sup>th</sup> day of March, 2011 a true and correct copy of the foregoing document was delivered via electronic mail, facsimile, hand delivery, interagency mail, or by deposit in the U.S. Mail to all persons on the attached mailing list.

By   
Christian Siano, Staff Attorney  
Environmental Law Division

**Mailing List**  
**Lower Colorado River Authority**  
**SOAH Docket NO. 582-08-2863**  
**TCEQ Docket No. 2008-0093-UCR**

Les, Trobman, General Counsel  
Texas Commission on Environmental Quality  
Office of General Counsel  
P.O. Box 13087, MC 101  
Austin, Texas 78711-3087

Docket Clerk  
Texas Commission on Environmental Quality  
Office of Chief Clerk  
P.O. Box 13087, MC 105  
Austin, Texas 78711-3087  
(512) 239-3300, (512) 239-3311 (Fax)

The Honorable Henry D. Card  
State Office of Administrative Hearings  
P.O. Box 13025  
Austin, Texas 78711-3025  
(512) 475-4993, (512) 475-4994 (Fax)

Jim Mathews  
Mathews & Freeland, L.L.P.  
P.O. Box 1568  
Austin, Texas 78768-1568  
(512) 404-7800, (512) 703-2785 (Fax)

Eli Martinez  
Texas Commission on Environmental Quality  
Office of Public Interest Counsel  
P.O. Box 13087, MC 103  
Austin, Texas 78711-3087  
(512) 239-6363, (512) 239-6377 (Fax)

Leonard Dougal  
Jackson Walker, LLP  
100 Congress Ave, Suite 110  
Austin, Tx 78701  
(512) 236-2000  
(512) 391-2112

Randall B. Wilburn  
Wilburn Consulting LLC  
7408 Rain Creek Parkway  
Austin, Texas 78759  
(512) 535-1661, (512) 326-8228 (Fax)

**Table 1  
West Travis County Water  
Cost of Service**

	2007-2008 Budget Column A	B	From SK-4 C	Adj'd Cost of Service D	
			06/07 Actual Expenses	Per ALJ's PFD	
1	Expenses				
2	O&M Expense				
3	Labor-Operations	\$296,352	\$342,552	\$342,552	
4	Labor-Engineering/Plan/Safety	92,200	82,689	82,689	
5	Labor-Professional	5,851	51,303	51,303	
6	Labor-Other	14,447	5,851	5,851	
7	Materials and Supplies	97,686	210,879	210,879	
8	Chemicals	130,972	121,497	121,497	
9	Transportation	1,809	5,737	5,737	
10	Outside services	103,324	73,692	73,692	
11	Property Acq./Leases/Rentals	1,980	22,607	22,607	
12	Employee Business Expenses		667	667	
13	Utilities-Sewer, Natural Gas		-	-	
14	Utilities-Electric	768,502	765,293	765,293	
15	Utilities-Telephone	13,266	11,594	11,594	
16	Raw Water - Reservation Fees	158,174	228,459	228,459	
17	Environmental Regulatory Fees	6,539	3,208	3,208	
18	Internal LCRA Services Charges	10,461	7,321	7,321	
19	Other Expenses		21,080	21,080	
20	Subtotal Direct Labor plus O & M	\$1,701,563	\$1,954,429	\$1,954,429	
21	Allocated Expenses:				
22	Operational Center	117,798	162,123	162,123	
23	Regional	521,256	146,148	146,148	
24	Customer Service	397,659	362,951	362,951	
25	Water & /Wastewater Common	1,113,444	1,460,736	541,969	(changed from 56.6% to 21%)
26	Water Services Overhead	1,015,404	1,122,659	416,534	(changed from 56.6% to 21%)
27	Water Services New Business	255,402	184,206	69,201	(changed from 55.9% to 21%)
28	Net Residual Corporate	261,312	508,065	188,505	(changed from 56.6% to 21%)
29	Adjustments- N. Heddin			(305,714)	See Table 3
30	Sub-total Shared & Indir. O&M	3,682,275	3,946,888	1,581,717	
31	Total O & M Expenses	5,383,838	(1) 5,901,317	3,536,146	
32	Debt Service (DS)	5,728,675	4,549,074	4,549,074	PFD page 47
33	Operations reserve	0	179,997	179,997	Budget-SK-4
34	Debt Service Coverage (DSC)	1,432,169	\$ 1,137,269	\$ 1,137,269	DS times 25 %
35	Community Development	349,434	\$ 298,333	\$ 255,205	Table 3
36	Raw Water Expense	575,983	\$ 494,378	\$ 494,378	SZ-13 - "Budget 2007"
37	Total Costs of Service	13,470,099	(4) \$ 12,560,368	\$ 10,152,069	
38	Non Rate revenues	(2,191,885)		\$ (1,658,645)	SZ-13
39	Excess capacity fund add			\$ 763,000	PFD page 59
40	Sub-total	11,278,214	(2)	\$ 9,256,424	
41	Less: Wholesale & Non-Resid.	(4,155,417)		\$ (3,493,397)	See Table 4
42	Residential Water Costs	\$7,122,797	(3)	\$ 5,763,026	

(1) Reconciles to SK-7, "Total Operations & Maintenance" for 2007-08

(2) Reconciles to SZ-13

(3) Reconciles to Mickey Fishbeck DT Page 44, FY 2008 Total of "Water Retail Revenue Requirements"

(4) Reconciles to SK-4 (Column C)

March 10, 2011

**Table 2**  
**West Travis County Sewer**  
**Cost of Service**

	2007-2008 Budget Column A	B	From SK-4 C	Adj'ed Cost of Service D	
1	Expenses		06/07 Actual Expenses	Per ALJ's PFD	
2	O&M Expense				
3	Labor-Operations	149,555	113,642	113,642	
4	Labor-Engin'g/Plann'g/Safety	20,030	15,632	15,632	
5	Labor-Cust Service/Reg'l Mgt		3,085	3,085	
6	Labor-Professional	-	10,648	10,648	
7	Labor-Other	1,806	278	278	
8	Sub-total-Direct Labor	171,391	143,285	143,285	
9	Materials and Supplies	11,536	41,538	41,538	
10	Chemicals	20,291	10,324	10,324	
11	Transportation	-	1,007	1,007	
12	Outside services	14,497	72,779	72,779	
13	Outside legal services		10,765	10,765	
14	Sludge Disposal	98,365	94,829	94,829	
15	Property Acq/Lease/Rental	92,700	90,000	90,000	
16	Employee Business Exp		323	323	
17	Utilities-Water, Swr, Gas		9,227	9,227	
18	Utilities-Electric	99,414	120,293	120,293	
19	Utilities-Telephone	5,665	5,768	5,768	
20	Raw Water-Reserv. Fees	-	-	-	
21	Environ. Regulatory Fees	824	822	822	
22	Internal LCRA Services	9,925	8,711	8,711	
23	Other Expenses		10	10	
24	Subtotal Direct O & M	524,608	609,681	609,681	
25	Allocated Expenses:				
26	Operational Center	59,201	55,255	55,255	
27	Regional	38,955	11,018	11,018	
28	Customer Service	153,590	124,547	124,547	
29	Water/WWW Common	83,211	110,128	162,570	(changed from 4.2% to 6.2%)
30	Water Services Overhead	75,883	84,640	124,945	(changed from 4.2% to 6.2%)
31	Water Svc New Business	19,087	13,888	20,501	(changed from 4.2% to 6.2%)
32	Net Residual Corporate	19,529	38,303	56,543	(changed from 4.2% to 6.2%)
33	Sub-ttl Shared/Indir. O&M	449,456	437,779	555,379	
34	Total O & M Expenses	974,064	(1) 1,047,460	1,165,060	
35	Debt Service (DS)	1,863,873	(2) 1,857,034	1,857,034	PFD at 47
36	Operations reserve	5,185	47,340	47,340	SK-4
37	Debt Service Coverage (DSC)	465,968	464,259	464,259	DS times 25%
38	Community Development	84,063	84,901	93,471	Table 3
39	Total Costs of Service	3,393,153	3,500,994	3,627,163	
40	Non-rate revenues	(507,000)		(418,000)	SZ-14
41	Sub-total	2,886,153		3,209,163	
42	Less: Commercial/Multi fam	(1,048,330)		(1,165,656)	See Table 4
43	Total Residential COS	1,837,823	(3)	2,043,507	

(1) Reconciles to SK-8, 2007-08 Budget Column  
(2) From Table SK-4, 2008, on page 23 of Stephen Kellicker Direct Testimony  
(3) Reconciles to Mickey Fishbeck DT\* Page 46, FY 2008 Total "Wastewater Revenue Requirements"

\*DT = Direct Testimony

March 10, 2011

**Table 3**  
**Adjustments totalled in Cost Centers**  
**From PFD Page 33**

	Operational Center	Regional	Customer Service	Water & WW Common	Water Services Overhead	Water Services New Business	Check Total
BC 24	19,726	1,378		92,021	385	1,307	114,432
BC 25	18,535	28		7,862	12,100		18,948
BC 26				51,958	10,867		62,825
BC 27				135,105	148,486		286,623
BC 28			3,032	13,655	65,748		195,244
BC 29			115,841		22,500		22,500
BC 30							34,550
BC 31				34,550			2,654
BC 32	2,400			254	12,703		12,703
BC 33					10,896		10,896
BC 34							40,810
BC 35			18,389	22,421			16,460
BC 35-a	16,460						373,194
BC 51				373,194			10,069
BC 1 at 71:9-14	10,069						
Totals	67,190	1,406	137,262	731,019	283,685	1,307	1,221,870
Allocation factor	0.581	0.821	0.380	0.210	0.210	0.210	
WTc water reduct.	39,037	1,154	52,160	153,514	59,574	274	305,714

(to Table 1)

Community Development Calculation	Water	Wastewater
Total O & M Expenses	\$ 3,536,146	\$ 1,165,060
Debt Service (DS)	4,549,074	1,857,034
Operations reserve	179,997	47,340
Debt Service Coverage (DSC)	1,137,269	464,259
Less: Non Rate Revenues (NRR)	(1,658,645)	(418,000)
Plus: Excess Cap. Funding in NRR	763,000	\$ -
LUE Res. Charges (in NRR)	-	-
Total	8,506,841	3,115,693
Times 3% - Total Comm Developmt	255,205	93,471

(To Tables 1 & 2)

Table 4

Water Revenue Requirements Calculation

Class	FY 2007 Bgt		ESTIMATED SPLIT		NON RES RATE
					REVENUES ESTIMATE
Residential	\$	6,541,975	\$	6,658,671	
Commercial	\$	1,646,406	\$	1,675,775	\$ 1,675,775
Construction	\$	206,896	\$	210,587	\$ 210,587
Multifamily	\$	42,167	\$	42,919	\$ 42,919
Wholesale	\$	1,536,705	\$	1,564,117	\$ 1,564,117
Total	\$	9,974,149	\$	10,152,069	\$ 3,493,397

Wastewater Revenue Requirements

Class	FY 2007		Estimated Split		Non Res Rate Revenues
					Estimate
Residential	\$	1,837,823	\$	2,043,507	
Commercial	\$	952,950	\$	1,059,602	\$ 1,059,602
Multifamily	\$	95,380	\$	106,055	\$ 106,055
Total	\$	2,886,153	\$	3,209,163	\$ 1,165,656

9-Mar-11

SOAH DOCKET NO. 582-08-2863  
TCED DOCKET NO. 2008-0093-UCR

Revenue Generated by Existing Rates		Existing Rate	
RATES		Using	Using
Base Rate	Historical FY 2007	27.50	27.50
5/8"	\$ 41.25	41.25	41.25
3/4"	55.00	55.00	55.00
1"	110.00	110.00	110.00
1 1/2"	176.00	176.00	176.00
2"	352.00	352.00	352.00
3"	528.00	528.00	528.00
4"	704.00	704.00	704.00
6"	1,375.00	1,375.00	1,375.00
8"	1,750.00	1,750.00	1,750.00
12"	3,300.00	3,300.00	3,300.00
Volumetric Charge per Tier			
1,001 - 10,000	2.80		
10,001 - 25,000	3.50		
25,001 - 50,000	5.75		
50,001 +	6.50		
No. of Meters		from MF-8 Water Meter Counts.xlsx	
5/8"	2,993		
3/4"	237		
1"	12		
1 1/2"	1		
2"	1		
3"	1		
Total	3,244		
Gallons Billed		from BC gallonage calc water rev worksheet	
1,001 - 10,000	240373335.8		
10,000 - 25,000	220616623.3		
25,000 - 50,000	118346581.9		
50,000 +	41256654.41		
Total	620593205.5		
REVENUE			
Base Rate	987,690.00		
5/8"	117,315.00		
3/4"	7,920.00		
1"	1,320.00		
1 1/2"	2,112.00		
2"	-		
3"	-		
Total revenue generated by base rates	\$ 1,116,357		
Volumetric Revenue			
1,001 - 10,000	673,045		
10,001 - 25,000	772,158		
25,001 - 50,000	680,493		
50,001 +	288,168		
Total revenue generated by Volumetric Usage	\$2,393,864.69		
Revenue Generated by Existing Rates			
Revenue Required	5763026		
Over / (Under) Recovery	\$(3,369,162)		
Percentage of (Under) Recovery	141%		

Revenue Generated by Proposed Rates		Phase 1 Rate FY 2007		Phase 2 Rate FY 2008		Phase 3 Rate FY 2009	
RATES		Using	Using	Using	Using	Using	Using
Base Rate	Budget FY 2008	Historical FY 2007	Budget FY 2009	Historical FY 2007	Budget FY 2010	Historical FY 2007	Using
5/8"	30.00	30.00	31.65	31.65	31.65	31.65	31.65
3/4"	45.00	45.00	47.50	47.50	47.50	47.50	47.50
1"	75.00	75.00	79.15	79.15	79.15	79.15	79.15
1 1/2"	150.00	150.00	158.25	158.25	158.25	158.25	158.25
2"	240.00	240.00	253.20	253.20	253.20	253.20	253.20
3"	3280.00	3280.00	3506.40	3506.40	3506.40	3506.40	3506.40
4"	4800.00	4800.00	5064.00	5064.00	5064.00	5064.00	5064.00
6"	7200.00	7200.00	7912.50	7912.50	7912.50	7912.50	7912.50
8"	1,500.00	1,500.00	1,582.50	1,582.50	1,582.50	1,582.50	1,582.50
12"	2,000.00	2,000.00	2,532.00	2,532.00	2,532.00	2,532.00	2,532.00
Volumetric Charge per Tier							
0 - 10,000	\$3.30	\$3.30	\$3.80	\$3.80	\$5.10	\$5.10	\$5.10
10,001 - 20,000	4.10	4.10	5.00	5.00	6.30	6.30	6.30
20,001 - 25,000	4.60	4.60	6.00	6.00	8.60	8.60	8.60
25,001 - 50,000	6.70	6.70	8.10	8.10	10.30	10.30	10.30
50,001 +	8.50	8.50	10.20	10.20	13.00	13.00	13.00
No. of Meters		from 2007-2008 projected meters Table 2W (Average Meters)	from MF-8 Water Meter Counts.xlsx	from 2007-2008 projected meters Table 2W (Average Meters)	from MF-8 Water Meter Counts.xlsx	from 2007-2008 projected meters Table 2W (Average Meters)	from MF-8 Water Meter Counts.xlsx
5/8"	4027	2,993	4027	2,993	4027	2,993	2,993
3/4"	319	237	319	237	319	237	237
1"	16	12	16	12	16	12	12
1 1/2"	1	1	1	1	1	1	1
2"	1	1	1	1	1	1	1
3"	1	1	1	1	1	1	1
Total	4365	3,244	4365	3,244	4365	3,244	3,244
Gallons Billed							
0 - 10,000	287,748,769	260,130,048	287,748,769	260,130,048	287,748,769	260,130,048	287,748,769
10,000 - 20,000	184,047,798	166,382,510	184,047,798	166,382,510	184,047,798	166,382,510	184,047,798
20,000 - 25,000	59,992,297	54,234,113	59,992,297	54,234,113	59,992,297	54,234,113	59,992,297
25,000 - 50,000	130,911,763	118,346,582	130,911,763	118,346,582	130,911,763	118,346,582	130,911,763
50,000 +	45,636,998	41,256,654	45,636,998	41,256,654	45,636,998	41,256,654	45,636,998
Total	708,337,625	640,349,918	708,337,625	640,349,918	708,337,625	640,349,918	708,337,625
REVENUE							
Base Rate	1,449,815	1,077,480	1,529,555	1,136,741	1,529,555	1,136,741	1,529,555
5/8"	172,205	127,980	181,772	135,090	181,772	135,090	181,772
3/4"	14,332	10,800	15,336	11,398	15,336	11,398	15,336
1"	2,422	1,899	2,555	1,899	2,555	1,899	2,555
1 1/2"	3,875	3,038	4,088	3,038	4,088	3,038	4,088
2"	-	-	-	-	-	-	-
3"	-	-	-	-	-	-	-
Total revenue generated by base rates	\$ 1,642,849	\$ 1,319,220	\$ 1,733,307	\$ 1,288,166	\$ 1,733,307	\$ 1,288,166	\$ 1,733,307
Volumetric Revenue							
0 - 10,000	949,571	858,429	1,093,445	988,494	1,467,519	1,326,663	1,467,519
10,000 - 20,000	754,596	682,168	920,239	831,913	1,159,501	1,048,610	1,159,501
20,000 - 25,000	275,965	249,477	359,954	325,405	515,934	466,413	515,934
25,000 - 50,000	877,109	792,922	1,060,385	956,607	1,348,391	1,218,970	1,348,391
50,000 +	387,914	350,682	465,497	420,818	593,281	536,337	593,281
Total revenue generated by Volumetric Usage	3,245,155	2,933,678	3,899,521	3,525,237	5,084,626	4,596,593	5,084,626
Revenue Generated by Proposed Rates							
Revenue Required	4,888,004	4,252,898	5,632,827	4,813,403	6,817,932	5,884,759	6,817,932
Over / (Under) Recovery	\$(2,234,792)	\$(1,510,128)	\$(1,489,969)	\$(949,623)	\$(304,864)	\$121,733	\$121,733
Percentage of (Under) Recovery	46%	36%	26%	20%	4%	-2%	-2%

Revenue Generated by Existing Rates		Phase 1 Rate FY 2007		Phase 2 Rate FY 2008		Phase 3 Rate FY 2009	
RATES		Using	Using	Using	Using	Using	Using
Base Rate	Historical FY 2007	Budget FY 2008	Historical FY 2007	Budget FY 2009	Historical FY 2007	Budget FY 2010	Historical FY 2007
5/8"	27.50	30.00	30.00	31.65	31.65	31.65	31.65
3/4"	41.25	45.00	45.00	47.50	47.50	47.50	47.50
1"	55.00	75.00	75.00	79.15	79.15	79.15	79.15
1 1/2"	110.00	150.00	150.00	158.25	158.25	158.25	158.25
2"	176.00	240.00	240.00	253.20	253.20	253.20	253.20
3"	352.00	3,280.00	3,280.00	3,506.40	3,506.40	3,506.40	3,506.40
4"	528.00	4,800.00	4,800.00	5,064.00	5,064.00	5,064.00	5,064.00
6"	825.00	7,200.00	7,200.00	7,912.50	7,912.50	7,912.50	7,912.50
8"	1,375.00	1,500.00	1,500.00	1,582.50	1,582.50	1,582.50	1,582.50
12"	3,300.00	2,000.00	2,000.00	2,532.00	2,532.00	2,532.00	2,532.00
Volumetric Charge per Tier							
1,001 - 10,000	2.80	\$3.30	\$3.30	\$3.80	\$3.80	\$5.10	\$5.10
10,001 - 25,000	3.50	4.10	4.10	5.00	5.00	6.30	6.30
25,001 - 50,000	5.75	4.60	4.60	6.00	6.00	8.60	8.60
50,001 +	6.50	6.70	6.70	8.10	8.10	10.30	10.30
No. of Meters		from 2007-2008 projected meters Table 2W (Average Meters)	from MF-8 Water Meter Counts.xlsx	from 2007-2008 projected meters Table 2W (Average Meters)	from MF-8 Water Meter Counts.xlsx	from 2007-2008 projected meters Table 2W (Average Meters)	from MF-8 Water Meter Counts.xlsx
5/8"	2,993	4027	2,993	4027	2,993	4027	2,993
3/4"	237	319	237	319	237	319	237
1"	12	16	12	16	12	16	12
1 1/2"	1	1	1	1	1	1	1
2"	1	1	1	1	1	1	1
3"	1	1	1	1	1	1	1
Total	3,244	4365	3,244	4365	3,244	4365	3,244
Gallons Billed							
0 - 10,000	240,373,335.8	287,748,769	260,130,048	287,748,769	260,130,048	287,748,769	260,130,048
10,000 - 20,000	220,616,623.3	184,047,798	166,382,510	184,047,798	166,382,510	184,047,798	166,382,510
20,000 - 25,000	118,346,581.9	59,992,297	54,234,113	59,992,297	54,234,113	59,992,297	54,234,113
25,000 - 50,000	41,256,654.41	130,911,763	118,346,582	130,911,763	118,346,582	130,911,763	118,346,582
50,000 +	62,059,320.55	45,636,998	41,256,654	45,636,998	41,256,654	45,636,998	41,256,654
Total	620,593,205.5	708,337,625	640,349,918	708,337,625	640,349,918	708,337,625	640,349,918
REVENUE							
Base Rate	987,690.00	1,449,815	1,077,480	1,529,555	1,136,741	1,529,555	1,136,741
5/8"	117,315.00	172,205	127,980	181,772	135,090	181,772	135,090
3/4"	7,920.00	14,332	10,800	15,336	11,398	15,336	11,398
1"	1,320.00	2,422	1,899	2,555	1,899	2,555	1,899
1 1/2"	2,112.00	3,875	3,038	4,088	3,038	4,088	3,038
2"	-	-	-	-	-	-	-
3"	-	-	-	-	-	-	-
Total revenue generated by base rates	\$ 1,116,357	\$ 1,642,849	\$ 1,319,220	\$ 1,733,307	\$ 1,288,166	\$ 1,733,307	\$ 1,288,166
Volumetric Revenue							
1,001 - 10,000	673,045	949,571	858,429	1,093,445	988,494	1,467,519	1,326,663
10,000 - 20,000	772,158	754,596	682,168	920,239	831,913	1,159,501	1,048,610
20,000 - 25,000	680,493	275,965	249,477	359,954	325,405	515,934	466,413
25,000 - 50,000	288,168	877,109	792,922	1,060,385	956,607	1,348,391	1,218,970
50,000 +	42,393,864.69	387,914	350,682	465,497</			

**SOAH DOCKET NO. 582-08-2863  
TCEQ DOCKET NO. 2008-0093-UCR**

**Sewer Revenue Generated by Proposed Rates**

RATES	Phase 1 Rate FY2007		Phase 2 Rate FY 2008		Phase 3 Rate FY 2009		
	Existing Rate Historical FY 2007	Budget FY 2008	Historical FY 2007	Budget FY 2009	Historical FY 2007	Budget FY 2010	Historical FY 2007
Base Rate	\$21.50	\$36.40	\$36.40	\$52.00	\$52.00	\$52.00	\$52.00
Volumetric	\$3.60	\$4.00	\$4.00	\$4.75	\$4.75	\$5.75	\$5.75
No. of Meters (2007)	1249		1249		1249		1249
No. of Meters (2008)		1510		1510		1510	
Gallons Billed	133,679,393	140,256,827	133,679,393	140,256,827	133,679,393	140,256,827	133,679,393
<b>REVENUE</b>							
Base Rate Revenue	\$ 322,242	\$ 659,568	\$ 545,563	\$ 942,240	\$ 779,376	\$ 942,240	\$ 779,376
Volumetric Revenue	481,246	561,027	534,718	666,220	634,977	806,477	768,657
<b>Revenue Generated by Proposed rates</b>	\$803,488	\$1,220,595	\$1,080,281	\$1,608,460	\$1,414,353	\$1,748,717	\$1,548,033
Revenue Required Over (Under)	\$2,043,507	\$2,043,507	\$2,043,507	\$2,043,507	\$2,043,507	\$2,043,507	\$2,043,507
Recovery	\$ (1,240,019)	\$ (822,912)	\$ (963,226)	\$ (435,047)	\$ (629,154)	\$ (294,790)	\$ (495,475)
Percentage of (Under) Recovery	15.4%	67%	89%	27%	44%	17%	32%

Petition, Exh B

MF-07 Number of Sewer  
Customers Jun 2006.xlsx  
Table IS 2006-2007  
projected meters p144

Table IS Projected 2007-  
2008, 2006-2007 Total  
Annual Usage Residential  
Gallons Billed p141

Base rate x no. of  
connections x 12 months

(No. of gallons/1000) x  
Volumetric rate x 12  
months

Base rate + volumetric  
rate

All Adjusted COS