

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*

May 11, 2009

TEXAS  
COMMISSION  
ON ENVIRONMENTAL  
QUALITY  
2009 MAY 11 PM 4:23  
CHIEF CLERKS OFFICE

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

RE: Executive Director's Response To Administrative Law Judge's Request For Recalculation Of Certain Rate Setting Data regarding Rate/Tarriff Change Application of HHJ, Inc. dba Decker Utilities; SOAH Docket No.582-08-1719; TCEQ Docket No. 2008-0164-UCR.

Dear Ms. Castañuela:

Enclosed please find the original and seven copies of the Executive Director's Response To Administrative Law Judge's Request For Recalculation Of Certain Rate Setting Data for the above-referenced matter.

If you have any questions, please contact me at 239- 6033.

Sincerely,

A handwritten signature in cursive script that reads "Erin Selvera".

Erin Selvera  
Staff Attorney  
Environmental Law Division

Enclosure

cc. Sheresia Perryman, TCEQ, Water Supply Division, MC 153  
Heidi Graham, TCEQ, Water Supply Division, MC 153  
Service List

SOAH DOCKET NO. 582-08-1719  
TCEQ DOCKET NO. 2008-0164-UCR

2009 MAY 11 PM 4: 23

APPLICATION OF HHJ, INC.  
DBA DECKER UTILITIES,  
TO CHANGE ITS WATER  
AND SEWER RATES

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BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS

CHIEF CLERKS OFFICE

**THE EXECUTIVE DIRECTOR'S RESPONSE TO ADMINISTRATIVE LAW JUDGE'S  
REQUEST FOR RECALCULATION OF CERTAIN RATE SETTING DATA**

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 Administrative Law Judge's (ALJ's) requested recalculations in the above captioned matter.

**EXECUTIVE DIRECTOR'S RESPONSE TO ALJ'S REQUESTED CLARIFICATIONS**

On May 6, 2009, ALJ Cloninger issued a letter indicating that she had adopted the one of the ED's exceptions to the Proposal for Decision regarding the HHJ, Inc. Rate/Tariff Change Application and thus requested the ED provide recalculations so that the draft Proposed Order may be revised. The Executive Director has made the following recalculations in accordance with the ALJ's directive:

**A. Revenue Requirement**

The ED has recalculated the revenue requirement based on the ALJ's prior recommendation to allow all of the expenses claimed by the Applicant with the exception of a repair and maintenance expense invoice that was outside the test year, but removing the \$14, 417 from the known and measurable utility expenses.<sup>1</sup> The recalculation resulted in \$ 794,791.00 in

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<sup>1</sup> PFD at 31 and Letter from ALJ Cloninger to TCEQ General Counsel Trobman dated May 6, 2009.

total revenue generated, consisting of \$242,940.00 attributed to water and \$551,851.00 attributed to sewer.<sup>2</sup>

### **B. Rate Design**

The ED has recalculated the rate design using the above noted revenue requirement, and the corrected meter equivalents. The resulting water rate yields a base rate of \$21.33 with a gallonage charge of \$2.29 per thousand gallons.<sup>3</sup> The resulting sewer rate calculation yields a base rate of \$63.71 with a gallonage charge of 4.00 per thousand gallons.

Texas Commission on Environmental Quality  
Mark R. Vickery, P.G., Executive Director

Stephanie Bergeron Perdue, Deputy Director  
Office of Legal Services

Robert Martinez, Director  
Environmental Law Division



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Erin Selvera, Staff Attorney  
Environmental Law Division  
State Bar No. 24043385  
P.O. Box 13087, MC 173  
Austin, Texas 78711-3087  
(512) 239-6033

REPRESENTING THE EXECUTIVE DIRECTOR  
OF THE TEXAS COMMISSION ON  
ENVIRONMENTAL QUALITY

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<sup>2</sup> See attachments 1-7 to this document for detailed calculations of the revenue requirement, rate design, and all other underlying calculations for water and attachments 8-14 for sewer.

<sup>3</sup> See attachment 1 for a chart showing the minimum bill amounts for all connections sizes.

**ATTACHMENT 1**  
**WATER RATE DESIGN**

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

**DOCKET #** 35893-R **UTILITY:** HHJ, Inc. dba Decker Utilities

Printed on: 11-May-09 time: 12:01 PM

version: 20070403

**REVENUE REQUIREMENT**

COST OF SERVICE ITEM	Item Cost	%	Fixed	%	Variable
SALARIES	73,000	50	36,500	50	36,500
CONTRACT SERVICES	13,200	90	11,880	10	1,320
PURCHASED SERVICE	0	0	0	100	0
CHEMICALS AND TREATMENT	0	0	0	100	0
UTILITIES	23,140	0	0	100	23,140
REPAIRS AND MAINTENANCE	15,064	50	7,532	50	7,532
OFFICE EXPENSE	12,359	50	6,180	50	6,180
ACCOUNTING & LEGAL	4,536	100	4,536	0	0
INSURANCE	9,371	100	9,371	0	0
RATE CASE EXPENSE	1,625	100	1,625	0	0
MISCELLANEOUS	472	100	472	0	0
DEPRECIATION & AMORTIZATION	20,255	100	20,255	0	0
TAXES OTHER THAN INCOME	8,856	100	8,856	0	0
			0	100	0
			0	100	0
SUB-TOTAL (LESS FIT & RETURN)	181,878		107,206		74,671
% OF TOTAL (FIXED + VARIABLE)		0.59		0.41	
FEDERAL INCOME TAXES	6,450		3,802		2,648
RETURN	54,612		32,191		22,421
LESS OTHER REVENUES	0		0		0
<b>TOTAL</b>	<b>\$242,940</b>		<b>\$143,199</b>		<b>\$99,741</b>

APPLICANT'S REQUESTED RATES	
Minimum bill:	
(includes	0 gallons)
5/8 x 3/4"	\$25.88
1"	64.70
1-1/2"	129.40
2"	207.04
3"	388.20
4"	517.60
6"	569.36
8"	
Gallonge rate:	
	\$2.29 /1,000 gallons
Rev. Reqes'd:	\$269,120
Rev. Gen'd :	\$269,245

**RATE CALCULATION**

Calculating a flat rate? y

GALLONGE CHARGE  
Variable Cost/Test Year Gallons/1,000 =====> \$2.90 /TH.GAL.

MINIMUM BILL  
Fixed Cost/12/Connection Equivalents =====> \$18.60 /MO.  
\$18.60 /MO. incl. min. gallons

ALJ'S REVISED PROPOSED RATE	
USE ->	\$2.29 /TH.GAL.
YIELDS ->	\$21.33 /MO. 21.33 /MO. incl. min. gallons
ANNUAL REVENUE GENERATED:	\$242,940

**REVENUE GENERATED SUMMARY:**

Connection Size	# of Connections	Minimum Bill			Rev./Year
		Min. Bill	Including Gals	Rev./Month	
5/8", 3/4"	520	21.33	\$21.33	\$11,093	\$133,120
1"	17	53.33	53.33	907	10,880
1-1/2"	1	106.67	106.67	107	1,280
2"	3	170.67	170.67	512	6,144
3"	0	320.00	320.00	0	0
4"	0	533.33	533.33	0	0
6"	1	1066.66	1066.66	1,067	12,800
8"	0	1706.66	1706.66	0	0

TOTAL MINIMUM CHARGES=> \$164,223

GALLONGE CHARGES=> 34,374 @ \$2.29 /1,000 GAL 78,716

**TOTAL REVENUE GENERATED=> \$242,940**

**ATTACHMENT 2**  
**WATER CONNECTION EQUIVALENTS CHART**

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

version: 20070403

**Utility Name:** HHJ, Inc. dba Decker Utilities  
**Docket Number:** 35893-R

<b>Customer Meters</b>	<b>No.:</b>	<b>Multiplier:</b>	<b>Conn. Equiv.</b>
Number of 5/8" connections:	520	1.00	520.00
Number of 1" connections:	17	2.50	42.50
Number of 1-1/2" connections:	1	5.00	5.00
Number of 2" connections:	3	8.00	24.00
Number of 3" connections:		15.00	0.00
Number of 4" connections:		25.00	0.00
Number of 6" connections:	1	50.00	50.00
Number of 8" connections:		80.00	0.00

Total = **542.00** **641.50** Connection Equivalents

**Utility/Customer Water Usage**

Proposed Gallons Included In Minimum Bill =	0
Test Year Gallons Pumped (x 1,000) =	34,374
Test Year Gallons Billed (x 1,000) =	34,374

0.0% = percent lost

**ATTACHMENT 3**  
**WATER OPERATIONS, MAINTENANCE, AND TAXES CALCULATIONS**

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

Utility Name: HHJ, Inc. dba Decker Utilities

Docket Number: 35893-R

version: 20070403

Test Period: From: 1/1/2006 To: 12/31/2006

12:00 PM

11-May-09

**SCHEDULE I(a) - OPERATIONS & MAINTENANCE**

	TEST PERIOD PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	ALJ ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
SALARIES	\$52,374	\$20,626	\$73,000		\$73,000
CONTRACT SERVICES	\$12,035	\$1,165	\$13,200		\$13,200
PURCHASED WATER	\$0	\$0	\$0		\$0
CHEMICALS AND TREATMENT	\$0	\$0	\$0		\$0
UTILITIES	\$23,140		\$23,140	\$0.0	\$23,140
REPAIRS AND MAINTENANCE	\$20,306	-\$5,165	\$15,141	-\$77	\$15,064
OFFICE EXPENSE	\$13,460	-\$1,101	\$12,359	\$0	\$12,359
ACCOUNTING AND LEGAL	\$4,923	-\$387	\$4,536	\$0	\$4,536
INSURANCE	\$9,757	-\$386	\$9,371		\$9,371
RATE CASE EXPENSE	\$0	\$1,625	\$1,625		\$1,625
MISCELLANEOUS	\$3,360	-\$2,888	\$472		\$472
<b>TOTAL</b>	<b>\$139,355</b>	<b>\$13,489</b>	<b>\$152,844</b>	<b>-\$77</b>	<b>\$152,767</b>

**SCHEDULE I(b) - OTHER TAXES**

	TEST YEAR PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	ALJ ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
AD VALOREM TAXES	\$0	\$0	\$0		\$0
PAYROLL TAXES	\$0	\$7,300	\$7,300		\$7,300
OTHER TAXES-MISC	\$3,482	-\$1,926	\$1,556		\$1,556
NON-REVENUE RELATED	\$3,482	\$5,374	\$8,856	\$0	\$8,856
TWC ASSESSMENT			\$0		\$0
REVENUE RELATED TAXES	\$0	\$0	\$0		\$0
<b>TOTAL OTHER TAXES</b>	<b>\$3,482</b>	<b>\$5,374</b>	<b>\$8,856</b>	<b>\$0</b>	<b>\$8,856</b>

**SCHEDULE I(c) - FEDERAL INCOME TAXES**

REVENUE REQUIREMENT	\$242,940
LESS:	
OPERATIONS AND MAINTENANCE	-\$152,767
DEPRECIATION AND AMORTIZATION	-\$20,255
OTHER TAXES	-\$8,856
INTEREST EXPENSE	-\$18,061
TAXABLE INCOME	\$43,001
TAXES @ FACTOR :	\$0
SUB-TOTAL	\$6,450
LESS:	
SURTAX EXEMPTION :	\$0
FEDERAL INCOME TAXES	\$6,450

**ATTACHMENT 4**  
**WATER REVENUE REQUIREMENT CALCULATIONS**

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Utility Name: HHJ, Inc. dba Decker Utilities

Docket Number: 35893-R

version: 20070403

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11-May-09

SCHEDULE I - REVENUE REQUIREMENT

	TEST PERIOD PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	AJ ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
Operations and Maintenance	\$139,355	\$13,489	\$152,844	-\$77	\$152,767
Depreciation and Amortization	\$0	\$20,255	\$20,255	\$0	\$20,255
Other Taxes	\$3,482	\$5,374	\$8,856	\$0	\$8,856
Federal Income Taxes	\$0	\$34,758	\$34,758	-\$28,308	\$6,450
Return	\$0	\$55,532	\$55,532	-\$920	\$54,612
Revenue Requirement	\$142,837	\$129,408	\$272,245	-\$29,305	\$242,940
Other Revenues - Taps	-\$16,415	\$13,290	-\$3,125	\$3,125	\$0
Base Rate Revenue	\$126,422	\$142,698	\$269,120	-\$26,180	\$242,940
Base Rate Revenue Deficiency			\$0	-\$26,180	-\$26,180

**ATTACHMENT 5**  
**WATER WEIGHTED AND INVESTED CAPITAL CALCULATIONS**

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

**Utility Name:** HHJ, Inc. dba Decker Utilities  
**Docket Number:** 35893-R

version: 20070403

11:59 AM  
11-May-09

**SCHEDULE I(d) - WEIGHTED COST OF CAPITAL**

PAYEE	PRINCIPAL AS OF 12/31/06	INTEREST RATE	PERCENTAGE	WEIGHTED AVERAGE
Hybernia National Bank	\$267,567.00	6.75%	46.76%	3.16%
Universal Premium Accep. Corp.	\$0.00	12.74%	0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
EQUITY	\$304,594.75	12.00%	53.24%	6.39%
<b>TOTAL</b>	<b>\$572,161.75</b>		<b>100.00%</b>	<b>9.5449%</b>

**SCHEDULE I(e) - INVESTED CAPITAL & RETURN**

	COMPANY AMOUNT (a)	ALJ ADJUST (b)=(c)-(a)	STAFF AMOUNT (c)
PLANT IN SERVICE	669,258	0	669,258
ACCUMULATED DEPRECIATION	\$105,182.00	11,010	116,192
NET PLANT	564,076	-11,010	553,066
WORKING CASH ALLOWANCE	\$40,175.00	-21,079	19,096
MATERIALS AND SUPPLIES	\$0.00	0	\$0.00
CUSTOMERS DEPOSITS	\$0.00	0	\$0.00
INVESTMENT TAX CREDITS	\$0.00	0	\$0.00
DCIAC	\$0.00	0	0
TOTAL INVESTED CAPITAL	604,251	-32,089	572,162
RATE OF RETURN	9.1902%	0.3547%	9.5449%
RETURN	55,532	-920	54,612

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**ATTACHMENT 6**  
**WATER TAX CALCULATIONS**

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

**Utility Name:** HHJ, Inc. dba Decker Utilities  
**Docket Number:** 2008-0164-UCR

version: 20070403

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 11-May-09

RETURN 54,612  
 INTEREST 18,061 (TOTAL INVESTED CAPITAL \* WEIGHTED AVERAGE LT DEBT)  
 TAXABLE INCOME 36,551

**TAX CALCULATIONS FYE 07-01-87**

RATE	BRACKET	SURTAX
15%	0 - 50,000	
25%	50,001 - 75,000	5,000
34%	75,001 - 100,000	11,750
39%	100,001 - 335,000	16,750
34%	335,001 -	

USE THE FOLLOWING RULE TO DETERMINE THE APPROPRIATE TAX BRACKET:

IF TAXABLE INCOME (RETURN - INTEREST) IS:

- 0 - 42,500 USE 15%
- 42,501 - 61,250 USE 25%
- 61,251 - 77,750 USE 34%
- 77,751 - 221,100 USE 39%
- 221,101 OR OVER USE 34%

INCOME RANGE	IF TAXABLE INCOME IS	THE TAX RATE IS	THE TAX INCLUDING THE SURTAX EXEMPTION IS	AND THE SURTAX EXEMPTION IS
0 - 42,500	36,551	15.00%	6,450	0
42,501 - 61,250	0	0.00%	0	0
61,251 - 77,750	0	0.00%	0	0
77,751 - 221,100	0	0.00%	0	0
221,100 -	0	0.00%	0	0
<b>Total</b>	<b>36,551</b>	<b>15.00%</b>	<b>6,450</b>	<b>0</b>

**ATTACHMENT 7**  
**WATER DEPRECIATION ANALYSIS**



**ATTACHMENT 8  
SEWER RATE DESIGN**

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

**DOCKET #** 35894-R **UTILITY:** HHJ, Inc. dba Decker Utilities

Printed on: 11-May-09 time: 12:19 PM

version: 20070403

**REVENUE REQUIREMENT**

COST OF SERVICE ITEM	Item Cost	%	Fixed	%	Variable
SALARIES	\$73,000.00	50	\$36,500.00	50	\$36,500.00
CONTRACT SERVICES	\$13,200.00	90	\$11,880.00	10	\$1,320.00
PURCHASED SERVICE	\$0.00	0	\$0.00	100	\$0.00
CHEMICALS AND TREATMENT	\$0.00	0	\$0.00	100	\$0.00
UTILITIES	\$23,140.00	0	\$0.00	100	\$23,140.00
REPAIRS AND MAINTENANCE	\$30,855.00	50	\$15,427.50	50	\$15,427.50
OFFICE EXPENSE	\$12,358.00	50	\$6,179.00	50	\$6,179.00
ACCOUNTING & LEGAL	\$4,535.00	100	\$4,535.00	0	\$0.00
INSURANCE	\$9,371.00	100	\$9,371.00	0	\$0.00
RATE CASE EXPENSE	\$1,625.00	100	\$1,625.00	0	\$0.00
MISCELLANEOUS	\$472.00	100	\$472.00	0	\$0.00
DEPRECIATION & AMORTIZATION	\$57,017.99	100	\$57,017.99	0	\$0.00
TAXES OTHER THAN INCOME	\$9,944.00	100	\$9,944.00	0	\$0.00
			\$0.00	100	\$0.00
			\$0.00	100	\$0.00
SUB-TOTAL (LESS FIT & RETURN)	235,518		\$152,951		\$82,567
% OF TOTAL (FIXED + VARIABLE)		0.65		0.35	
FEDERAL INCOME TAXES	74,532		48,403		26,129
RETURN	241,801		157,032		84,769
LESS OTHER REVENUES	0		0		0
<b>TOTAL</b>	<b>\$551,851</b>		<b>\$358,386</b>		<b>\$193,465</b>

APPLICANT'S REQUESTED RATES	
Minimum bill:	
(includes	0 gallons)
5/8 x 3/4"	\$64.67
1"	64.67
1-1/2"	64.67
2"	64.67
3"	64.67
4"	64.67
6"	64.67
8"	64.67
Gallage rate:	
	\$4.00 /1,000 gallons
Rev. Reques'd:	\$558,123
Rev. Gen'd :	\$558,110

**RATE CALCULATION**

**GALLONAGE CHARGE**

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

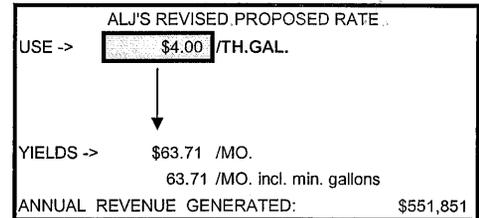
Calculating a flat rate? y

\$5.63 /TH.GAL.

**MINIMUM BILL**

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

\$55.10 /MO.  
\$55.10 /MO. incl. min. gallons



**REVENUE GENERATED SUMMARY:**

Connection Size	# of Connections	Minimum Bill			Rev./Year
		Min. Bill	Including Gals	Rev./Month	
5/8", 3/4"	520	63.71	\$63.71	\$33,128	\$397,536
1"	17	63.71	63.71	1,083	12,996
1-1/2"	1	63.71	63.71	64	764
2"	3	63.71	63.71	191	2,293
3"	0	63.71	63.71	0	0
4"	0	63.71	63.71	0	0
6"	1	63.71	63.71	64	764
8"	0	63.71	63.71	0	0

TOTAL MINIMUM CHARGES=> \$414,355  
 GALLONAGE CHARGES=> 34,374 @ \$4.00 /1,000 GAL 137,496  
**TOTAL REVENUE GENERATED=> \$551,851**

**ATTACHMENT 9**  
**SEWER CONNECTION EQUIVALENTS CHART**

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

version: 20070403

**Utility Name:** HHJ, Inc. dba Decker Utilities  
**Docket Number:** 35894-R

<b>Customer Meters</b>	<b>No.:</b>	<b>Multiplier:</b>	<b>Conn. Equiv.</b>
Number of 5/8" connections:	520	1.00	520.00
Number of 1" connections:	17	1.00	17.00
Number of 1-1/2" connections:	1	1.00	1.00
Number of 2" connections:	3	1.00	3.00
Number of 3" connections:		1.00	0.00
Number of 4" connections:		1.00	0.00
Number of 6" connections:	1	1.00	1.00
Number of 8" connections:		1.00	0.00

Total = **542.00** **542.00** Connection Equivalents

**Utility/Customer Water Usage**

Proposed Gallons Included In Minimum Bill =	0
Test Year Gallons Pumped (x 1,000) =	34,374
Test Year Gallons Billed (x 1,000) =	34,374

0.0% = percent lost

**ATTACHMENT 10**  
**SEWER OPERATIONS, MAINTENANCE, AND TAXES CALCULATIONS**

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

Utility Name: HHJ, Inc. dba Decker Utilities  
 Docket Number: 35894-R  
 Test Period: From: 1/1/2006 To: 12/31/2006

version: 20070403

12:08 PM

11-May-09

**SCHEDULE I(a) - OPERATIONS & MAINTENANCE**

	TEST PERIOD PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	ALJ ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
SALARIES	\$52,374.00	\$20,626.00	\$73,000.00		\$73,000.00
CONTRACT SERVICES	\$12,035.00	\$1,165.00	\$13,200.00		\$13,200.00
PURCHASED WATER	\$0.00	\$0.00	\$0.00		\$0.00
CHEMICALS AND TREATMENT	\$0.00	\$0.00	\$0.00		\$0.00
UTILITIES	\$23,140.00	\$0.00	\$23,140.00	\$0.00	\$23,140.00
REPAIRS AND MAINTENANCE	\$37,524.00	-\$6,669.00	\$30,855.00	\$0.00	\$30,855.00
OFFICE EXPENSE	\$13,459.00	-\$1,101.00	\$12,358.00	\$0.00	\$12,358.00
ACCOUNTING AND LEGAL	\$4,922.00	-\$387.00	\$4,535.00	\$0.00	\$4,535.00
INSURANCE	\$9,757.00	-\$386.00	\$9,371.00		\$9,371.00
RATE CASE EXPENSE	\$0.00	\$1,625.00	\$1,625.00		\$1,625.00
MISCELLANEOUS	\$3,359.00	-\$2,887.00	\$472.00		\$472.00
<b>TOTAL</b>	<b>\$156,570.00</b>	<b>\$11,986.00</b>	<b>\$168,556.00</b>	<b>\$0.00</b>	<b>\$168,556.00</b>

**SCHEDULE I(b) - OTHER TAXES**

	TEST YEAR PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	ALJ ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
AD VALOREM TAXES	\$0.00	\$0.00	\$0.00		\$0.00
PAYROLL TAXES	\$0.00	\$7,300.00	\$7,300.00		\$7,300.00
OTHER TAXES-MISC	\$3,482.00	-\$838.00	\$2,644.00		\$2,644.00
NON-REVENUE RELATED	\$3,482.00	\$6,462.00	\$9,944.00	\$0.00	\$9,944.00
TWC ASSESSMENT			\$0.00		\$0.00
REVENUE RELATED TAXES	\$0.00	\$0.00	\$0.00		\$0.00
<b>TOTAL OTHER TAXES</b>	<b>\$3,482.00</b>	<b>\$6,462.00</b>	<b>\$9,944.00</b>	<b>\$0.00</b>	<b>\$9,944.00</b>

**SCHEDULE I(c) - FEDERAL INCOME TAXES**

REVENUE REQUIREMENT	\$551,850.82
LESS:	
OPERATIONS AND MAINTENANCE	-\$168,556.00
DEPRECIATION AND AMORTIZATION	-\$57,017.99
OTHER TAXES	-\$9,944.00
INTEREST EXPENSE	-\$82,276.89
TAXABLE INCOME	\$234,055.94
TAXES @ FACTOR :	\$0.39
SUB-TOTAL	\$91,281.81
LESS:	
SURTAX EXEMPTION :	-\$16,750.00
FEDERAL INCOME TAXES	\$74,531.81

**ATTACHMENT 11**  
**SEWER REVENUE REQUIREMENT CALCULATIONS**

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Utility Name: HHJ, Inc. dba Decker Utilities

35894-R

Docket Number:

version: 20070403

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11-May-09

SCHEDULE I - REVENUE REQUIREMENT

	TEST PERIOD PER COMPANY (a)	COMPANY ADJUST (b)	COMPANY TEST YEAR (c)=(a)+(b)	ALJ ADJUST (d)	STAFF TEST YEAR (e)=(c)+(d)
Operations and Maintenance	\$156,570	\$11,986	\$168,556	\$0	\$168,556
Depreciation and Amortization	\$0	\$57,018	\$57,018	\$0	\$57,018
Other Taxes	\$3,482	\$6,462	\$9,944	\$0	\$9,944
Federal Income Taxes	\$0	\$72,753	\$72,753	\$1,779	\$74,532
Return	\$0	\$252,977	\$252,977	-\$11,176	\$241,801
Revenue Requirement	\$160,052	\$401,196	\$561,248	-\$9,397	\$551,851
Other Revenues - Taps	-\$16,415	\$13,290	-\$3,125	\$3,125	\$0
Base Rate Revenue	\$143,637	\$414,486	\$558,123	-\$6,272	\$551,851
Base Rate Revenue Deficiency			\$0	-\$6,272	-\$6,272

**ATTACHMENT 12**  
**SEWER WEIGHTED AND INVESTED CAPITAL CALCULATIONS**

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

Utility Name: HHJ, Inc. dba Decker Utilities  
 Docket Number: 35894-R

version: 20070403

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11-May-09

**SCHEDULE I(d) - WEIGHTED COST OF CAPITAL**

PAYEE	PRINCIPAL AS OF 12/31/06	INTEREST RATE	PERCENTAGE	WEIGHTED AVERAGE
Hybernia National Bank	\$1,218,916.88	6.75%	47.83%	3.23%
Universal Premium Accep. Corp.	\$0.00	12.74%	0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
			0.00%	0.00%
EQUITY	\$1,329,371.60	12.00%	52.17%	6.26%
<b>TOTAL</b>	<b>\$2,548,288.48</b>		<b>100.00%</b>	<b>9.4888%</b>

**SCHEDULE I(e) - INVESTED CAPITAL & RETURN**

	COMPANY AMOUNT (a)	ALJ ADJUST (b)=(c)-(a)	STAFF AMOUNT (c)
PLANT IN SERVICE	2827441	0	2827441
ACCUMULATED DEPRECIATION	300222	0	300222
NET PLANT	2527219	0	2527219
WORKING CASH ALLOWANCE	0	21070	21070
MATERIALS AND SUPPLIES	0	0	0
CUSTOMERS DEPOSITS	0	0	0
INVESTMENT TAX CREDITS	0	0	0
DCIAC	0	0	0
TOTAL INVESTED CAPITAL	2527219	21070	2548288
RATE OF RETURN	10.0101%	-0.5213%	9.4888%
RETURN	252977	-11176	241801

::

**ATTACHMENT 13**  
**SEWER TAX CALCULATIONS**

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

**Utility Name:** HHJ Inc. dba Decker Utilities  
**Docket Number:** 2008-0164-UCR

version: 20070403

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 11-May-09

RETURN 241,801  
 INTEREST 82,277 (TOTAL INVESTED CAPITAL \* WEIGHTED AVERAGE LT DEBT)  
 TAXABLE INCOME 159,524

**TAX CALCULATIONS FYE 07-01-87**

RATE	BRACKET	SURTAX
15%	0 - 50,000	
25%	50,001 - 75,000	5,000
34%	75,001 - 100,000	11,750
39%	100,001 - 335,000	16,750
34%	335,001 -	

USE THE FOLLOWING RULE TO DETERMINE THE APPROPRIATE TAX BRACKET:

IF TAXABLE INCOME (RETURN - INTEREST) IS:

- 0 - 42,500 USE 15%
- 42,501 - 61,250 USE 25%
- 61,251 - 77,750 USE 34%
- 77,751 - 221,100 USE 39%
- 221,101 OR OVER USE 34%

INCOME RANGE	IF TAXABLE INCOME IS	THE TAX RATE IS	THE TAX INCLUDING THE SURTAX EXEMPTION IS	AND THE SURTAX EXEMPTION IS
0 - 42,500	0	0.00%	0	0
42,501 - 61,250	0	0.00%	0	0
61,251 - 77,750	0	0.00%	0	0
77,751 - 221,100	159,524	39.00%	74,532	16,750
221,100 -	0	0.00%	0	0
<b>Total</b>	<b>159,524</b>	<b>39.00%</b>	<b>74,532</b>	<b>16,750</b>

**ATTACHMENT 14**  
**SEWER DEPRECIATION ANALYSIS**

Utility Name: HHJ Inc. dba Decker Utilities

Docket Number: 2008-0164

Date Examined: 11-May-09 12:10 PM

Date Referenced: 31-Dec-06

version: 20070403

**DEPRECIATION ANALYSIS**

Description	Acquired Date	Claimed Economic Life, yrs	Claimed Original Cost	% Used & Useful	Ver./Est. Original Cost	Economic Life, yrs	Actual Deprec. Life	Annual Deprec.	Accum. Deprec.	Net Plant*
Land		n/a	16520	100%	16,520	n/a	n/a	n/a		(* reflects CIAC) 16,520
Structures:				100%	0					
Masonry		30		100%						
Wood		15	2828	100%	2,828	15	1.16	\$189	219	2,609
Plant 87k gpd	1-Nov-05	50	268658	100%	268,658	50	2.50	\$5,373	13,431	255,227
Plant 400k gpd	1-Jul-04	50	1,184,357	100%	1,184,357	50.00	1.16	\$23,687	27,562	1,156,795
Blower 40 hp	1-Nov-05	10	2883	100%	2,883	10	1.16	\$288	335	2,548
Blower 40 hp	1-Nov-05	10	2883	100%	2,883	10	1.16	\$288	335	2,548
Gas Chlorinator	1-Jul-97	10	2579	100%	2,579	10	9.50	\$258	2,450	129
Collection System		5		100%	0					
10" - 7022 lf	1-Jul-97	50	242234	100%	242,234	50	9.50	\$4,845	46,026	196,208
8" - 18470 lf	1-Jul-97	50	535785	100%	535,785	50	9.50	\$10,716	101,803	433,982
6" - 6401 lf	1-Jul-97		17,562	100%	17,562	50.00	9.50	\$351	3,337	14,225
Man Holes - 146	1-Jul-97	50	515088	100%	515,088	50	9.50	\$10,302	97,870	417,218
Lift Stations - 2 ea.	1-Jul-97	50	36064	100%	36,064	50	9.50	\$721	6,852	29,212
		0			0					
<b>Total</b>			<b>\$2,827,441</b>		<b>\$2,827,441</b>			<b>\$57,018</b>	<b>\$300,222</b>	<b>\$2,527,219</b>

**CERTIFICATE OF SERVICE**

This is to certify that the original and seven copies of the foregoing Executive Director's Response to Administrative Law Judge's Request for Clarification of Certain Rate Setting Data on May 11, 2009.

This is to certify that the Administrative Law Judge, SOAH docket Clerk and all parties on the attached Service List have been sent a copy of the foregoing Executive Director's Response to Administrative Law Judge's Request for Clarification of Certain Rate Setting Data on May 11, 2009.



Erin Selvera  
Staff Attorney  
Environmental Law Division

TEXAS  
COMMISSION  
ON ENVIRONMENTAL  
QUALITY  
2009 MAY 11 PM 4: 24  
CHIEF CLERKS OFFICE

**SERVICE LIST**  
**HHJ, Inc. dba Decker Utilities**  
**TCEQ Docket No. 2008-0164-UCR**  
**SOAH Docket No. 582-08-1719**

**FOR SOAH**

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**CHIEF CLERK**

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