

“Attachment A”

CITY OF PFLUGERVILLE, TEXAS

Rate Filing Package Requirements

For

Water Utilities

And

Sewer Utilities

TABLE OF CONTENTS

A. GLOSSARY	1
B. APPLICABILITY, GENERAL INSTRUCTIONS, AND COST REIMBURSEMENT	3
C. KNOWN AND MEASURABLE CHANGES.....	4
D. APPLICANT MUST PARTICIPATE IN HEARING.....	4
E. STATEMENTS IN SUPPORT OF RATE REQUEST	4
F. GENERAL UTILITY INFORMATION	10
I. OPERATING REVENUES – WATER	14

WATER

II. REVENUE REQUIREMENT – WATER	16
III. OPERATING AND MAINTENANCE EXPENSES – WATER.....	17
IV. INVESTED CAPITAL – WATER.....	19
V. NET PLANT IN SERVICE	20
VI. RETURN ON INVESTED CAPITAL – WATER.....	21
VII. INCOME TAX CALCULATION – WATER	23
VIII. CUSTOMER INFORMATION – WATER.....	24
IX. PRODUCTION & CONSUMPTION INFORMATION – WATER	25
X. RATE DESIGN – WATER	26
XI. NOTICE OF PROPOSED RATE CHANGE – WATER.....	27

SEWER

I. OPERATING REVENUES – SEWER.....	28
II. REVENUE REQUIREMENT – SEWER.....	30
III. OPERATING AND MAINTENANCE EXPENSES – SEWER	31
IV. INVESTED CAPITAL – SEWER	33

V. NET PLANT IN SERVICE - SEWER	34
VI. RETURN ON INVESTED CAPITAL – SEWER	35
VII. INCOME TAX CALCULATION – SEWER.....	37
VIII. CUSTOMER INFORMATION – SEWER	38
IX. TREATMENT VOLUME INFORMATION – SEWER	39
X. RATE DESIGN – SEWER.....	40
XI. NOTICE OF PROPOSED RATE CHANGE – SEWER	41
APPENDIX A:.....	42
APPENDIX B:.....	43
APPENDIX C:.....	44
APPENDIX D:.....	45
APPENDIX E:.....	46
APPENDIX F:.....	47
APPENDIX G:.....	48
APPENDIX H:.....	49
APPENDIX I:.....	50
APPENDIX J:.....	51
APPENDIX K:.....	52
APPENDIX L:.....	53
APPENDIX M:.....	54
APPENDIX N:.....	55

A. GLOSSARY

ACCUMULATED DEPRECIATION – The accumulation of expense associated with the global consumption of utility assets used in the process of providing service. See DEPRECIATION.

ACCUMULATED DEFERRED INCOME TAX – It typically arises from accelerated depreciation for tax purposes instead of straight-line or other non-liberalized depreciation methods used for book purposes. Accumulated deferred income taxes are those deferred income taxes that accumulate period to period from these postponements.

ACCUMULATED DEFERRED INVESTMENT TAX CREDIT – The net unamortized balance of investment tax credits spread over the average useful life of the related property, or some other shorter period.

AFFILIATED COMPANY – Either a utility’s wholly owned subsidiary or a related entity whose voting stock is controlled by another entity or maintains a degree of control over the regulated utility.

APPLICANT – Is the entity filing the statement of intent to increase water and/or sewer rates.

CAPITAL – Investment of utility assets used in the provision of water service.

CAPITAL STRUCTURE – The portions or percentages of debt and equity capital that make up total capital.

CASH WORKING CAPITAL – The amount of cash or other liquid assets that the utility must have on hand to meet the current cost of operations before being reimbursed by its customers.

CLASSES OF CUSTOMERS – Categories of customers generally including residential, commercial, and irrigation.

COST OF CAPITAL – A weighted average of the cost of debt and the cost of equity, where the weights are the percentages of debt and equity in the Applicant’s CAPITAL STRUCTURE. Also known as the RATE OF RETURN or RETURN ON CAPITAL.

COMPANY – The name of the investor-owned entity that is supplying water and/or sewer service.

DEPRECIATION – The gradual consumption of the utility asset used in the provision of water service. Wear and tear, decay, obsolescence, or inadequacy can bring about the consumption.

MATERIALS AND SUPPLIES INVENTORY – Assets kept on hand for future service needs, but which are not currently used.

ORGANIZATION STRUCTURE – The manner in which the Applicant is formed. Some organizational structures include nonprofit, corporation, partnership, proprietorship, homeowner’s association, and cooperative.

PLANT IN SERVICE – Original cost of utility assets (without consideration of depreciation).

RATE BASE – Cost of utility plant in service adjusted to recognize materials and supplies inventory, working cash, contributions in aid of construction, and accumulated depreciation.

RATE DESIGN – The process of distributing revenue requirement among various classes of customers.

RATE SCHEDULE – A schedule reflecting the rates or fees charged by the utility for each type of service.

RATE STRUCTURE – Rates charged to different classes of customers.

RETURN ON EQUITY – Return component that recognizes the risk associated with plant funded by equity capital.

REVENUE REQUIREMENT – Revenues determined to be necessary to allow the Applicant to recover reasonable expenses and the opportunity to earn a reasonable rate of return on its prudent rate base.

SERVICE LIFE – The average length of time that an asset is expected to be used and useful.

SEWER UTILITY – The entity that is providing sewer service in the certificated area(s) included in the statement of intent to increase rates. If the Applicant is requesting uniform rates for more than one certificated area, it must have received approval from the Texas Commission on Environmental Quality or one of its predecessor agencies to request uniform rates for the certificated areas included in the statement of intent.

STATEMENT OF INTENT – The Statement of Intent required by Texas Water Code § 13.187, which the utility must file with the City at least 60 days before the effective date of any proposed change in rates.

TARIFF – A published collection of rate schedules and rules for use of service.

TEST YEAR – The most recent 12-month period for which complete financial data is available. The end of the test year shall not be more than 12 months from the date of filing the statement of intent with the City.

WATER UTILITY – The entity that is providing water service in the certificated area(s) included in the statement of intent to increase rates. If the Applicant is requesting uniform rates for more than one certificated area, it must have received approval from the Texas Commission on Environmental Quality or one of its predecessor agencies to request uniform rates for the certificated areas included in the statement of intent.

WELL PUMP HP – The horsepower rating for a well pump. Often the range is from one to seven HP (horsepower).

B. APPLICABILITY, GENERAL INSTRUCTIONS, AND COST REIMBURSEMENT

Applicability. These Rate Filing Package Requirements specify information that the City requires, by rule, as information that must be included in all applications to change water or sewer utility rates. *See* Texas Water Code § 13.187.

General Instructions

SECTIONS B through E must be followed for all requests for changes to water or sewer rates within the City. All parts of Water Sections I through XI must be completed for water rate changes, and all parts of Sewer Sections I through XI must be completed for sewer rate changes. Any filing that is not in substantial compliance will be rejected. The statutory time period will not begin until deficiencies have been corrected and the period provided in Section 3 of the ordinance is satisfied.

The Applicant must be the entity providing the utility service for which a rate change is requested. All of the information required by this Rate Filing Package must be provided for the physically separate and discrete system(s) used to serve customers within the City of Pflugerville or within the extra-territorial jurisdiction of the City of Pflugerville. In addition, a utility applying for system-wide or regional rates must also attach a rate study for such regional or system-wide rates that meets all of the requirements of this Rate Filing Package.

When the utility delivers any Statement of Intent to the City, it shall simultaneously file an application to change rates that meets all of these Rate Filing Package Requirements. In addition, the utility shall comply with all Chapter 13 notice requirements, including notice to customers. All such filings will not be considered complete for City Council consideration until the period provided in Section 3 of the ordinance is satisfied.

Also provide any supplementary information the Applicant believes will assist in the evaluation of the rate request. If significant plant additions have been made since the end of the Test Year, attach supporting explanations for those changes to the statement of intent. Clearly label any attachments and staple them to the Statement of Intent.

Selection of a Test Year for the utility is an important part of the statement of intent. A Test Year older than twelve months from the date of filing will be considered outdated and not acceptable. **The Test Year shall be the most current 12 month period for which data is available. Three years of data must be provided. Year 1 begins 24 months before the beginning of the Test Year and Year 2 begins 12 months prior to the beginning of the Test Year.**

When filing for an increase in rates, the Applicant must file an original plus four copies of its Application with the City Secretary for the City of Pflugerville.

Cost Reimbursement

At the City’s request, the Utility shall reimburse the City for the reasonable costs of accountants, attorneys, auditors, engineers, or any combination of these experts engaged in assisting the City with water and sewer ratemaking proceedings, to the fullest extent allowed by law

C. KNOWN AND MEASURABLE CHANGES

In APPENDIX G, for known and measurable changes listed in Sections III and IV by water or sewer utilities, provide invoices and other documentation to support such changes along with a short narrative about each change..

D. APPLICANT MUST PARTICIPATE IN HEARING

The Applicant must appear and participate in any hearing on the merits on its Statement of Intent to Increase Rates and any matters related to its application that is formally noticed by the City. Failure to participate will result in a continuation of the hearing in progress until the next formally noticed hearing date that the Applicant appears for the hearing on the merits. The effective date for the Applicant’s rate increase request will be extended day for day until such time as the Applicant participates in person or through its properly authorized representative at a hearing on the merits.

E. STATEMENTS IN SUPPORT OF RATE REQUEST

Complete the following statements in support of your rate request. **If the Applicant is requesting an increase in rates for water service then you must supply the following information.**

_____ (the “Applicant”) requests an adjustment in the existing water rates charged by the Applicant. The information contained in this statement of intent is based upon a twelve-month Test Year ending calendar year _____. The Applicant had total operating revenues for the water utility during the Test Year of \$ _____. The Applicant served _____ metered and _____ un-metered customers within the City, and sold _____ gallons of water within the City, during the Test Year.

The Applicant is requesting an increase in revenues for the water utility in the amount of \$ _____.

Total annual operating revenues, if the water utility is granted the rate adjustment, will be \$ _____.

If the Applicant is requesting an increase in rates for sewer service then you must supply the following information.

_____ (the “Applicant”) requests an adjustment in the existing sewer rates charged by the Applicant. The information contained in this statement of intent is based upon a twelve-months Test Year ending calendar year _____. The Applicant had total operating revenues for the sewer utility during the Test Year of \$ _____. The Applicant served _____ metered and _____ un-metered customers within the City, and sold _____ gallons of treated water within the City, during the Test Year.

The Applicant is requesting an increase in revenues for the sewer utility in the amount of \$ _____.

Total annual operating revenues, if the sewer utility is granted the rate adjustment, will be \$ _____.

The Applicant notified its customers of its Statement of Intent for an increase in rates on _____. **A COPY OF THE NOTICE WITH A NOTARIZED COVER LETTER STATING THE METHOD OF CUSTOMER NOTIFICATION, AS WELL AS THE DATE OF THE NOTIFICATION, MUST BE ATTACHED AS APPENDIX A.**

The Applicant’s ownership is one of the following:

- Sole Proprietorship
- Partnership
- “C” Corporation
- “S” Corporation
- Limited Liability Company (“LLC”)
- Association—Cooperative
- Other, (specify) _____

If the Applicant filing this statement if intent is not owned by a sole proprietorship, then attach a copy of the current corporate character, partnership agreement or limited liability company agreement of the entity which owns the Applicant as APPENDIX B to the Statement of Intent.

Note: If a corporation, list stockholders and the respective number of shares owned below.

Stockholders	Number of Shares Owned

I have read and completed this statement of intent, and to the best of my knowledge all of the information contained herein, and attached to this statement, is true and correct.

Name of Authorized Representative (print):	Applicant's Name:
Title:	Address:
Signature:	City/State/Zip
Date:	Phone Number:
E-mail Address:	Fax Number:
Website Address:	

All changes in current, compared to past operations that necessitate the filing of the Statement of Intent to increase water and/or sewer rates.

Explain: _____

Significant factors influencing changes in the Applicant's revenues, expenses and/or rate base during the past two years for the water utility, and for the sewer utility, if requesting an increase for both utilities.

Explain: _____

Provide (and include in Appendix G) the following documentation for the foregoing factors or changes:

- Documentation of system improvements and/or rehabilitation
- Agency communications regarding any environmental or other regulatory compliance

Anticipated growth/decline in customers expected in the next two years, the amount of anticipated construction to serve those customers, and how financed; the type of customers served by the water utility, e.g. residential, irrigation, small retail businesses, large commercial, etc.

Explain: _____

F. GENERAL UTILITY INFORMATION

STATE THE YEAR THE WATER SYSTEM WAS ORIGINALLY CONSTRUCTED AND THE MONTH/YEAR IT BEGAN PROVIDING WATER SERVICE.

The system was originally constructed in _____, began providing services on _____.

STATE THE MONTH AND YEAR THE WATER UTILITY WAS ACQUIRED BY ITS CURRENT OWNER(S) AND HOW IT WAS ACQUIRED.

In _____ (mo/yr), the utility was (check one):

Purchased Constructed Received through donation Inherited

PROVIDE A COPY OF ALL CONTRACTS WITH AFFILIATE ENTITIES OR WITH OWNERS OR RELATIVES OF THE APPLICANT TO PROVIDE SERVICES TO THE APPLICANT.

- Attach a copy of each contract to provide service to the water utility and/or the sewer utility by relatives of the owner of the Applicant or affiliates of the Applicant as APPENDIX C to the Statement of Intent.
- If some or all of agreements to provide services to the Applicant by relatives of the Applicant or affiliates of the Applicant are not in writing, then provide a narrative description of the services provided and the compensation for such services which occurred during the Test Year in the following space or separately attached.

PROVIDE COPIES OF THE FOLLOWING CIP/ENGINEERING PLANS OR STUDIES AS APPENDIX K

- The most current water system Capital Improvement Plan(s)
- The most current sewer system Capital Improvement Plan(s).
- Other completed and current engineering plans or studies for the water or sewer system.

PROVIDE SOURCE OF SUPPLY INFORMATION FOR WATER AS APPENDIX L
(e.g., well logs, water quality data, water level measurements, water rights permits, etc.)

PROVIDE COPIES OF ALL INDIVIDUAL CUSTOMER SURVEY RESULTS OBTAINED SINCE LAST RATE INCREASE AS APPENDIX M.

PROVIDE MAP(S) OF CERTIFICATED AREA(S) WITHIN THE CITY OF _____ AS APPENDIX D.

- Applicant does not have a CCN from the TCEQ or a predecessor agency.
- Applicant has CCN(s) from the TCEQ or a predecessor agency. Map(s) of the certificated area(s) that cover any portion of the City of Pflugerville are attached as APPENDIX D.

IS THE APPLICANT AN AFFILIATE OF A PARENT CORPORATION OR HOLDING COMPANY?

- No, the Applicant is **not a subsidiary** of a parent corporation or holding company.
- Yes, the utility is **a subsidiary** of a parent corporation or holding company.
- Attached as APPENDIX E are the parent/holding company’s balance sheet/income statements for the Test Year.

HOW MANY FULL OR PART-TIME EMPLOYEES DOES THE UTILITY CURRENTLY EMPLOY WHO PROVIDE SERVICES TO THE CITY OR FOR WHICH COSTS ARE INCLUDED THE PROPOSED RATES?

The utility currently employs _____ full-time and _____ part-time employees.

PROVIDE THE FOLLOWING INFORMATION FOR ALL EMPLOYEES. IF A POSITION IS CURRENTLY VACANT BUT WILL BE FILLED WITHIN A YEAR, INCLUDE INFORMATION FOR THAT POSITION.

Current employee detail is listed below:

Employee Name	Position	Monthly Responsibilities/Duties	Hours Per Month	Hourly Wage/Monthly Salary
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$

Employee Name	Position	Monthly Responsibilities/Duties	Hours Per Month	Hourly Wage/Monthly Salary
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
TOTAL				\$

IS THE UTILITY PROPOSING TO ADD ANY FULL- OR PART-TIME EMPLOYEES WITHIN THE CONTEXT OF THIS RATE FILING OR DURING THE NEXT YEAR?

- No**, the utility does not propose adding any full- or part-time employees.
- Yes**, the utility proposes to add _____ full-time and/or _____ part-time employees as described below:

Proposed Position	Responsibilities/Duties	Hours Per Month	Hourly Wage/Monthly Salary
			\$
			\$
			\$
			\$
			\$

DOES THE UTILITY USE INDEPENDENT CONTRACTORS FOR LABOR, LEGAL, ACCOUNTING, MANAGEMENT, WATER TESTING, AND/OR ANY OTHER SERVICES?

- No**, the utility does not contract for any services.
- Yes**, the utility contracts for the following services:

Name of Independent Contractors	Description of Contract Services	Test Year Annual Charges
Labor		\$
Legal		\$
Accounting		\$
Management		\$
Water Testing/Sampling		\$
Rate Case Expert		\$
Other (specify)		\$
		\$
		\$

PROVIDE A COPY OF EACH CONTRACT OR AGREEMENT WITH AN INDEPENDENT CONTRACTOR WHICH WAS IN EFFECT FOR A PORTION OF THE TEST YEAR IN APPENDIX F OF THE STATEMENT OF INTENT.

- There were no contracts with independent contractors in place during the Test Year.
- The contracts with independent contractors are attached in Appendix F.

I. OPERATING REVENUES – WATER

IN COLUMN C BELOW, PROVIDE THE WATER UTILITY’S ACTUAL ANNUAL REVENUE FOR THE TEST YEAR AND FOR YEAR 1 AND YEAR 2 ALONG WITH POST TEST YEAR KNOWN AND MEASURABLE CHANGES, IF ANY.

Column A reflects Year 1 revenues. Column B reflects Year 2 revenues. Column C reflects Test Year revenues. Column D reflects known and measurable changes. “Known and measurable changes” are not to be based upon estimates, budgets or speculation. Such changes must be synchronized or matched with other changes in revenues, expenses, rate base and sales which are occurring in the same time frame. If known and measurable changes are not properly matched, they will be rejected. Column E reflects the total of Columns C + D.

As an example, if Year 1 is FY2008, then Year 2 is FY2009, and the Test Year is FY2010.

	A	B	C	D	E
Operating Revenue	Year 1 \$	Year 2 \$	Test Year \$	Known and Measurable Changes \$	Total (C+D=E) \$
Residential Water Sales Revenue					
Commercial/Industrial Water Sales Revenue					
Fire Protection Sales Revenue					
Water Sales to Public Authorities Revenue					
Irrigation Water Sales Revenue					
Water Sales for Resale Revenue					
Other Miscellaneous Revenue (itemize on next page)					
TOTAL REVENUE					

Attach to Appendix G a spreadsheet or table showing revenues by type per month, per class, for these most recent three (3) years, separately stating and separating the base rate (minimum bill) revenues and volumetric revenues.

PROVIDE THE DETAIL FOR ALL INDIVIDUAL LINE ITEMS THAT MAKE UP THE TOTAL REVENUES OTHER THAN WATER SALES.

The following is an itemized list of all revenues other than water sales:

	A	B	C	D	E
Description of Revenue Other Than Water Sales. Specify.	Year 1 \$	Year 2 \$	Test Year \$	Known and Measurable Changes \$	Total (C+D+E) \$
Miscellaneous Fees (i.e. late fees, disconnections, field visits, etc)					
Backflow Prevention Device Services (if offered)					
Rents from Water Property					
TOTAL					

II. REVENUE REQUIREMENT – WATER

	Test Year \$	Known and Measurable Changes \$	Total \$
Total O&M Expenses ¹			
Payroll Taxes			
Property Taxes			
Franchise Taxes			
Federal Income Taxes ²			
Other Taxes			
Depreciation Expense ³			
Return ⁴			
Subtotal			
Other Revenues ⁵	()	()	()
TOTAL REVENUE			

¹ From Section III “OPERATING AND MAINTENANCE EXPENSES – WATER” the sum listed at the bottom of the table as “TOTAL O&M EXPENSES” Column E

² From Section VII “INCOME TAX CALCULATION – WATER” Table No. 2, total “Income Tax” Line [F]

³ From Section V. NET PLANT IN SERVICE - WATER, System Plant Total for Column F “Annual Deprec Expense”

⁴ The Overall Rate of Return in cell ③ of Section VI.C, times the Section IV, column E “TOTAL INVESTED CAPITAL”

⁵ From Section I OPERATING REVENUES – WATER, Column E “Other Miscellaneous Revenues”

III. OPERATING AND MAINTENANCE EXPENSES – WATER

IN COLUMN C BELOW, PROVIDE THE WATER UTILITY’S ACTUAL ANNUAL EXPENSES FOR THE TEST YEAR AND FOR YEAR 1 AND YEAR 2 ALONG WITH POST TEST YEAR KNOWN AND MEASURABLE CHANGES, IF ANY.

A. O&M Expense Data:

Column A reflects Year 1 expenses. Column B reflects Year 2 expenses. Column C reflects Test Year expenses. Column D reflects known and measurable changes. “Known and measurable changes” are not to be based upon estimates, budgets or speculation. Such changes must be synchronized or matched with other changes in revenues, expenses, rate base and sales which are occurring in the same time frame. If known and measurable changes are not properly matched, they will be rejected. Column E reflects the total of Columns C + D.

	A	B	C	D	E
Operating Expenses	Year 1 \$	Year 2 \$	Test Year \$	Known and Measurable Changes \$	Total (C+D=E) \$
Salaries & Wages – Employees					
Salaries & Wages – Officers, Directors, and Majority Stockholders					
Employee Pensions and Benefits					
Purchased Water					
Telephone/Communications					
Electricity					
Chemicals/Treatment Expense					
Office Supplies					
Postage					
Materials/Supplies (O&M)					
Repairs to Water Plant					
Contractual Services – Engineering					
Contractual Services – Accounting					
Contractual Services – Legal					
Contractual Services – Mgmt Fees					
Contractual Services – Testing					
Contractual Services – Labor					

	A	B	C	D	E
Operating Expenses	Year 1	Year 2	Test	Known and	Total
	\$	\$	Year	Measurable	(C+D+E)
			\$	Changes	\$
				\$	
Contractual Services – Billing/Collection					
Rental of Building/Real Property					
Rental of Equipment					
Small Tools					
Computer/Electronic Expense					
Transportation Expense					
Insurance – Vehicle					
Insurance – General Liability					
Insurance – Workers’ Compensation					
Insurance – Other					
Public Relations/Advertising Expense					
Amortization of Rate Case Expense					
Miscellaneous Expenses (Itemize on Separate Schedule)					
TOTAL O&M EXPENSES					

B. Provide supporting copies of Operations and Maintenance records for the past 3 years in Appendix N.

IV. INVESTED CAPITAL – WATER

Column A reflects Year 1 invested capital. Column B reflects Year 2 invested capital. Column C reflects Test Year invested capital. Column D reflects known and measurable changes.

“Known and measurable changes” are not to be based upon estimates, budgets or speculation. Such changes must be synchronized or matched with other changes in revenues, expenses, rate base and sales which are occurring in the same time frame. If known and measurable changes are not properly matched, they will be rejected. Column E reflects the total of Columns C + D.

	A	B	C	D	E
Operating Expenses	Year 1	Year 2	Test Year	Known and Measurable Changes	Total
Net Plant in Service ⁶					
Prepayments					
Materials & Supplies					
Cash Working Capital					
Subtotal					
<u>Deductions</u>					
Accumulated Deferred Income Taxes					()
ADITC ⁷					()
Contributions in Aid of Construction					()
Customer Deposits					()
Subtotal					()
TOTAL INVESTED CAPITAL					

⁶ See Section V. NET PLANT IN SERVICE - WATER, System Plant Totals for total Net Book Value (Column H).

⁷ “ADITC” stand for Accumulated Deferred Investment Tax Credits.

V. NET PLANT IN SERVICE⁸

C. Net Plant In Service Data:

A	B	C	D	E	F	G	H
Item Description	Installation Date	Original Cost	Expected Service Life	Remaining Life	Annual Deprec. Expense	Total Accum. Deprec.	Net Book Value ⁹
Land		\$			\$	\$	\$
Wells							
Well Pumps:							
5 hp or less							
greater than 5hp							
WT Equip Non-Media							
Structures:							
Wood							
Masonry							
Storage Tanks							
Distribution System (mains and lines)							
Meters and Services (taps not covered by fees)							
Office Equipment							
Vehicles							
Shop Tools							
Heavy Equipment							
Other: (list)							
Communication Equipment							
Common Plant							
System Plant Totals							

D. Include in Appendix K a detailed system inventory of individual asset size, type, and pipe length, with scaled map of pipe sizes.

⁸ All values should be as of the end of Test Year

⁹ The term Net Book Value is meant to be equivalent with the value of Net Plant in Service.

VI. RETURN ON INVESTED CAPITAL – WATER

A. Equity¹⁰

How much equity or total capital does the Applicant have in the utility? \$_____.

B. Return on Equity

What is the rate of return on common equity which is being sought by the Applicant?
_____ %.

Explain in detail how the equity rate of return was selected.

¹⁰ The City reserves the right to adjust the capital structure if the capital structure is unrepresentative of well managed investor-owned water utilities.

C. Calculating the Overall Rate of Return¹¹

Table No. 1

[A]	[B]	[C]	[D]	[E]	[F]	[G]
Name of Bank/Lender	Date of Issue	Date of Maturity	Original Amount of Loan	Outstanding or Unpaid Balance End of Test Year	Interest Rate	Weighted Average [E]÷⑤*F
				\$		
Total			①	\$ ②		⑥
Part 2 – Equity				\$ ③	④	⑦
				\$ ⑤		
					Rate of Return:	⑧

- ① Total amount of original loans
- ② Total amount of the outstanding balance on the loans
- ③ Equity in the utility
- ④ Return on Equity
- ⑤ Total of ② + ③
- ⑥ Total weighted average cost of debt
- ⑦ Weighted average of Investment/Equity ③ ÷ ⑤ * ④
- ⑧ Sum of ⑥ + ⑦

¹¹ This is the Rate of Return to be applied to invested capital.

VII. INCOME TAX CALCULATION – WATER

Use the following table to determine the amount of income tax that can be included in your revenue requirement.

Table No. 2

Return ¹²	[A]	\$
Interest Calculation		
Total Invested Capital ¹³	[B]	\$
Weighted Cost of Debt ¹⁴		\$
Interest Expense	[D]	\$
Taxable Income [A] – [D]	[E]	\$
Income Tax ¹⁵	[F]	\$

¹² The Return should be grossed up for Income Tax purposes at the applicable tax rate.

¹³ Total Invested Capital is set forth in Section IV.

¹⁴ Weighted Cost of Debt is calculated in Section VI.C.

¹⁵ Income Tax is calculated at the applicable tax rate.

VIII. CUSTOMER INFORMATION – WATER

NUMBER OF CUSTOMERS

A. How many customers (active connections) did you have at the beginning and at the end of the twelve-month Test Year?

Table No. 3

Connection Type	Line	Beginning of Period ①	End of Period ②	Equivalency Factor ③	Meter Equivalents ④ = ② * ③
Non-Metered Connections:					
Residential	[A]				
Commercial	[B]				
Standby	[C]				
Metered Connections:					
$\frac{5}{8}$ " x $\frac{3}{4}$ "	[D]				
$\frac{3}{4}$ "	[E]				
1"	[F]				
1 $\frac{1}{2}$ "	[G]				
2"	[H]				
3"	[I]				
Total	[N]				

B. List number of customers/connections per class for the most recent three (3) years:

IX. PRODUCTION & CONSUMPTION INFORMATION – WATER

A. Test year data. Provide the following information regarding water utility operations over the Test Year.

Table No. 4

Total number of gallons pumped less flushing (total master meter reading for the year)	[A]		gallons
Total number of gallons purchased from another source for sale to customers (if any)	[B]		gallons
Total number of gallons provided to customers [C]=[A]+[B]	[C]		gallons
Total number of gallons billed to your customers (total customer consumption)	[D]		gallons
System Losses: $\frac{[C] - [D]}{[C]} \times 100\% = [E]$	[E]	%	

B. Historical Data. In addition, provide the volume of water sold, per month, per customer class, for the most recent three (3) years, below or on a separate sheet attached to this Section IX.

X. RATE DESIGN – WATER

Applicants are encouraged to utilize rate design methodologies which promote water conservation. High minimum charges or customer charges are at cross-purposes with that goal. Delivering block rates for residential customers may also discourage water conservation.

XI. NOTICE OF PROPOSED RATE CHANGE – WATER

The notice to each residential customer must contain the following information:

EFFECTIVE DATE OF PROPOSED INCREASE: _____

Bill Comparison:

	<u>Existing Rates</u>	<u>Proposed Rates</u>
10,000 gallons:	_____	_____
30,000 gallons	_____	_____

CURRENT RATES	PROPOSED RATES
Monthly customer charge including _____ gallons	Monthly customer charge including _____ gallons
Meter Size: Residential	Meter Size: Residential
$\frac{5}{8}$ " or $\frac{3}{4}$ "	$\frac{5}{8}$ " or $\frac{3}{4}$ "
1" \$ _____	1" \$ _____
1 1/2" \$ _____	1 1/2" \$ _____
2" \$ _____	2" \$ _____
3" \$ _____	3" \$ _____
Gallonge Charge:	Gallonge Charge:
<u>Miscellaneous Fees</u>	<u>Miscellaneous Fees</u>
Tap Fee \$ _____	Tap Fee \$ _____
Reconnection Fee \$ _____	Reconnection Fee \$ _____
Non-payment	Non-payment
(maximum - \$25.00) \$ _____	(maximum - \$25.00) \$ _____
Customer's Request \$ _____	Customer's Request \$ _____
Transfer Fee \$ _____	Transfer Fee \$ _____
Late Charge \$ _____	Late Charge \$ _____
Returned Check Charge \$ _____	Returned Check Charge \$ _____
Deposit \$ _____	Deposit \$ _____
Meter test fee \$ _____	Meter test fee \$ _____

Regulatory Assessment of 1% is added to base rate and gallonge charges

Pass Through Adjustment Clause:

The utility's cost attributable to annual fee, pumpage fee and/or consumption-based fee from any Groundwater Conservation Districts, or other such governmental authority, shall be passed through to all customers affected by such fees using the following calculations:

Any Annual Fee: Monthly minimum charge + (Annual fee/Number of Customers affected)/12 months

Any Volume Charge: Monthly gallonge charge per 1,000 gallons + (Increase or decrease in pumpage fee * 1.15)

To implement or modify the Pass Through Adjustment Clause, the utility must comply with all notice requirements of 30 TAC 291.21(h)

I. OPERATING REVENUES – SEWER

IN COLUMN C BELOW, PROVIDE THE WATER UTILITY’S ACTUAL ANNUAL REVENUE FOR THE TEST YEAR AND FOR YEAR 1 AND YEAR 2 ALONG WITH POST YEST YEAR KNOWN AND MEASURABLE CHANGES, IF ANY.

Column A reflects Year 1 revenues. Column B reflects Year 2 revenues. Column C reflects Test Year revenues. Column D reflects known and measurable changes. “Known and measurable changes” are not to be based upon estimates, budgets or speculation. Such changes must be synchronized or matched with other changes in revenues, expenses, rate base and sales which are occurring in the same time frame. If known and measurable changes are not properly matched, they will be rejected. Column E reflects the total of Columns C + D.

	A	B	C	D	E
Operating Revenue	Year 1	Year 2	Test Year	Known and Measurable Changes	Total (C+D=E)
	\$	\$	\$	\$	\$
Residential Wastewater Sales Revenue					
Commercial/ Wastewater Sales Revenue					
Wastewater Sales to Public Authorities					
Other Miscellaneous Revenue (itemize on next page)					
TOTAL REVENUE					

Attach to Appendix G a spreadsheet or table showing revenues by type per month, per class, for these most recent three (3) years, separately stating and separating the base rate (minimum bill) revenues and volumetric revenues.

PROVIDE THE DETAIL FOR ALL INDIVIDUAL LINE ITEMS THAT MAKE UP THE TOTAL REVENUES OTHER THAN WASTEWATER COLLECTION AND TREATMENT REVENUES.

The following is an itemized list of all revenues other than water sales:

	A	B	C	D	E
Description of Revenue Other Than for Wastewater Collection and Treatment Specify.	Year 1 \$	Year 2 \$	Test Year \$	Known and Measurable Changes \$	Total (C+D=E) \$
Connection/Tap Fee					
Reconnection Fee					
Transfer Fee					
Late Charge					
Returned Check Charge					
Customer Deposit – Residential					
Customer Deposit – Commercial					
Miscellaneous Fees					
TOTAL					

II. REVENUE REQUIREMENT – SEWER

	Test Year \$	Known and Measurable Changes \$	Total \$
Total O&M Expenses ¹⁶			
Payroll Taxes			
Property Taxes			
Franchise Taxes			
Federal Income Taxes ¹⁷			
Other Taxes			
Depreciation Expense ¹⁸			
Return ¹⁹			
Subtotal			
Other Revenues ²⁰	()	()	()
TOTAL REVENUE			

¹⁶ From Section III “OPERATING AND MAINTENANCE EXPENSES – SEWER” the sum listed at the bottom of the table as “TOTAL O&M EXPENSES” (Column E)

¹⁷ From Section VII “INCOME TAX CALCULATION – SEWER” Table No. 2, total “Income Tax” Line [F]

¹⁸ From Section V. NET PLANT IN SERVICE - SEWER, System Plant Total for Column F “Annual Deprec Expense”.

¹⁹ The Overall Rate of Return in cell ® of Section VI.C RETURN ON INVESTED CAPITAL - SEWER , times the Section IV, column E “TOTAL INVESTED CAPITAL”

²⁰ From Section I OPERATING REVENUES – SEWER, Column E “Other Miscellaneous Revenues”

III. OPERATING AND MAINTENANCE EXPENSES – SEWER

IN COLUMN C BELOW, PROVIDE THE SEWER UTILITY’S ACTUAL ANNUAL EXPENSES FOR THE TEST YEAR AND FOR YEAR 1 AND YEAR 2 ALONG WITH POST TEST YEAR KNOWN AND MEASURABLE CHANGES, IF ANY.

A. O&M Expense Data:

Column A reflects Year 1 expenses. Column B reflects Year 2 expenses. Column C reflects Test Year expenses. Column D reflects known and measurable changes. “Known and measurable changes” are not to be based upon estimates, budgets or speculation. Such changes must be synchronized or matched with other changes in revenues, expenses, rate base and sales which are occurring in the same time frame. If known and measurable changes are not properly matched, they will be rejected. Column E reflects the total of Columns C + D.

	A	B	C	D	E
Operating Expenses	Year 1	Year 2	Test	Known and	Total
	\$	\$	Year	Measurable	(C+D=E)
			\$	Changes	\$
				\$	
Salaries & Wages – Employees					
Salaries & Wages – Officers, Directors, and Majority Stockholders					
Employee Pensions and Benefits					
Purchased Water					
Telephone/Communications					
Electricity					
Chemicals/Treatment Expense					
Office Supplies					
Postage					
Materials/Supplies (O&M)					
Repairs to Water Plant					
Contractual Services – Engineering					
Contractual Services – Accounting					
Contractual Services – Legal					
Contractual Services – Mgmt Fees					
Contractual Services – Testing					
Contractual Services – Labor					

	A	B	C	D	E
Operating Expenses	Year 1 \$	Year 2 \$	Test Year \$	Known and Measurable Changes \$	Total (C+D=E) \$
Contractual Services – Billing/Collection					
Rental of Building/Real Property					
Rental of Equipment					
Small Tools					
Computer/Electronic Expense					
Transportation Expense					
Insurance – Vehicle					
Insurance – General Liability					
Insurance – Workers’ Compensation					
Insurance – Other					
Public Relations/Advertising Expense					
Amortization of Rate Case Expense					
Miscellaneous Expenses (Itemize on Separate Schedule)					
TOTAL O&M EXPENSES					

B. Provide supporting copies of Operations and Maintenance records for the past 3 years in Appendix N

IV. INVESTED CAPITAL – SEWER

Column A reflects Year 1 invested capital. Column B reflects Year 2 invested capital. Column C reflects Test Year invested capital. Column D reflects known and measurable changes. “Known and measurable changes” are not to be based upon estimates, budgets or speculation. Such changes must be synchronized or matched with other changes in revenues, expenses, rate base and sales which are occurring in the same time frame. If known and measurable changes are not properly matched, they will be rejected. Column E reflects the total of Columns C + D.

	A	B	C	D	E
Operating Expenses	Year 1	Year 2	Test Year	Known and Measurable Changes	Total
Net Plant in Service ²¹					
Prepayments					
Materials & Supplies					
Cash Working Capital					
Subtotal					
<u>Deductions</u>					
Accumulated Deferred Income Taxes					()
ADITC ²²					()
Contributions in Aid of Construction					()
Customer Deposits					()
Subtotal					()
TOTAL INVESTED CAPITAL					

²¹ See Section V. NET PLANT IN SERVICE - SEWER, System Plant Totals for total Net Book Value (Column H)

²² “ADITC” stand for Accumulated Deferred Investment Tax Credits.

VI. RETURN ON INVESTED CAPITAL – SEWER

A. Equity²⁶

How much equity or total capital does the Applicant have in the utility? \$_____.

B. Return on Equity

What is the rate of return on common equity which is being sought by the Applicant?
_____%.

Explain in detail how the equity rate of return was selected.

²⁶ The City reserves the right to adjust the capital structure if the capital structure is unrepresentative of well managed investor-owned sewer utilities.

VII. INCOME TAX CALCULATION – SEWER

Use the following table to determine the amount of income tax that can be included in your revenue requirement.

Table No. 2

Return ²⁸	[A]	\$
Interest Calculation		
Total Invested Capital ²⁹	[B]	\$
Weighted Cost of Debt ³⁰		\$
Interest Expense	[D]	\$
Taxable Income [A] – [D]	[E]	\$
Income Tax ³¹	[F]	\$

²⁸ The Return should be grossed up for Income Tax purposes at the applicable tax rate.

²⁹ Total Invested Capital is set forth in Column E of Section IV INVESTED CAPITAL - SEWER.

³⁰ Weighted Cost of Debt is calculated in Section VI.C.

³¹ Income Tax is calculated at the applicable tax rate.

IX. TREATMENT VOLUME INFORMATION – SEWER

A. Test year data. Provide the following information regarding sewer utility operations over the Test Year.

Table No. 4

Total number of gallons treated (total master meter reading for the year)	[A]		gallons
Total number of gallons treated from another source for sale to customers (if any)	[B]		gallons
Total number of gallons treated [C]=[A]+[B]	[C]		gallons

B. Historical Data. In addition, provide the volume of sewage treated, per month, per customer class, for the most recent three (3) years, below or on a separate sheet attached to this Section IX.

X. RATE DESIGN – SEWER

Applicants are encouraged to utilize rate design methodologies which promote water conservation. High minimum charges or customer charges are at cross-purposes with that goal. Delivering block rates for residential customers may also discourage water conservation.

XI. NOTICE OF PROPOSED RATE CHANGE – SEWER

The notice to each residential customer must contain the following information:

EFFECTIVE DATE OF PROPOSED INCREASE: _____

Bill Comparison:³²

	<u>Existing Rates</u>	<u>Proposed Rates</u>
3,000 gallons	_____	_____
10,000 gallons:	_____	_____
30,000 gallons	_____	_____

CURRENT RATES	PROPOSED RATES
Monthly customer charge including _____ gallons	Monthly customer charge including _____ gallons
Meter Size: Residential	Meter Size: Residential
$\frac{5}{8}$ " or $\frac{3}{4}$ "	$\frac{5}{8}$ " or $\frac{3}{4}$ "
1" \$ _____	1" \$ _____
1 1/2" \$ _____	1 1/2" \$ _____
2" \$ _____	2" \$ _____
3" \$ _____	3" \$ _____
Gallage Charge:	Gallage Charge:
<u>Miscellaneous Fees</u>	<u>Miscellaneous Fees</u>
Tap Fee \$ _____	Tap Fee \$ _____
Reconnection Fee \$ _____	Reconnection Fee \$ _____
Non-payment	Non-payment
(maximum - \$25.00) \$ _____	(maximum - \$25.00) \$ _____
Customer's Request \$ _____	Customer's Request \$ _____
Transfer Fee \$ _____	Transfer Fee \$ _____
Late Charge \$ _____	Late Charge \$ _____
Returned Check Charge \$ _____	Returned Check Charge \$ _____
Deposit \$ _____	Deposit \$ _____
Meter test fee \$ _____	Meter test fee \$ _____

Regulatory Assessment of 1% is added to base rate and gallage charges

Pass Through Adjustment Clause:

The utility's cost attributable to annual fee, pumpage fee and/or consumption-based fee from a Groundwater Conservation District or other such governmental authority shall be passed through to all customers affected by such fees using the following calculations:

Any Annual Fee: Monthly minimum charge + (Annual fee/Number of Customers affected)/12 months

Any Volume Charge: Monthly gallage charge per 1,000 gallons + (Increase or decrease in pumpage fee * 1.15)

To implement or modify the Pass Through Adjustment Clause, the utility must comply with all notice requirements of 30 TAC 291.21(h)

³² For connections also served by $\frac{5}{8}$ " or $\frac{3}{4}$ " water meter

APPENDIX A:

**RATE CASE RATE INCREASE NOTICE AND COVER
LETTER**

APPENDIX B:

APPLICANT'S CORPORATE CHARTER

APPENDIX C:

CONTRACTS FOR AFFILIATE SERVICES

APPENDIX D:

**MAP(S) OF CERTIFICATED SERVICE TERRITORY
AND
WATER AND SEWER SYSTEMS**

APPENDIX E:

**PARENT'S BALANCE SHEET/INCOME
STATEMENTS FOR TEST YEAR**

APPENDIX F:

AGREEMENTS OR CONTRACTS WITH INDEPENDENT CONTRACTORS

APPENDIX G:

EXPLANATIONS FOR KNOWN AND MEASURABLE CHANGES WITH INVOICES OR OTHER DOCUMENTATION

APPENDIX H:

CURRENT TARIFFS

APPENDIX I:

PROPOSED TARIFFS

APPENDIX J:

SEALED FEDERAL INCOME TAX RETURN

APPENDIX K:

CIP/ENGINEERING PLANS AND STUDIES, SYSTEM INVENTORIES AND SYSTEM MAPS

APPENDIX L:

SOURCE OF SUPPLY INFORMATION FOR WATER

APPENDIX M:

CUSTOMER SURVEYS

APPENDIX N:

**OPERATION AND MAINTENANCE
RECORDS**