

Control Number: 38230



Item Number: 977

Addendum StartPage: 0

**SOAH DOCKET NO. 473-10-4398
PUC DOCKET NO. 38230**

APPLICATION OF LONE STAR	§	BEFORE THE STATE OFFICE
TRANSMISSION, LLC FOR A	§	
CERTIFICATE OF CONVENIENCE AND	§	OF
NECESSITY FOR THE CENTRAL A TO	§	
CENTRAL C TO SAM SWITCH/NAVARRO	§	ADMINISTRATIVE HEARINGS
PROPOSED CREZ TRANSMISSION LINE	§	

DIRECT TESTIMONY

OF

CHARLES LIESER

ON BEHALF OF

**ROUGH CREEK OPERATING, LP; ROUGH CREEK-CHALK MOUNTAIN, LP;
ROUGH CREEK LAND, LP; ROUGH CREEK INVESTORS, LP; ROUGH CREEK
CAPITAL, LP; AND ROUGH CREEK INVESTORS GP, LLC, INTERVENORS**

August 16, 2010

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I. INTRODUCTION

2 **Q. PLEASE STATE YOUR NAME AND FOR WHOM YOU ARE TESTIFYING.**

3 A. My name is Charles Lieser. I am testifying in support of the intervention filed by
4 Rough Creek Operating, LP; Rough Creek-Chalk Mountain, LP; Rough Creek Land,
5 LP; Rough Creek Investors, LP; Rough Creek Capital, LP; and Rough Creek Investors
6 GP, LLC (collectively referred to herein as "Rough Creek Intervenors" or
7 "Intervenors") against the *Application of Lone Star Transmission, LLC for a Certificate*
8 *of Convenience and Necessity for the Central A to Central C to Sam Switch/Navarro*
9 *Proposed CREZ Transmission Line* filed by Lone Star Transmission, LLC ("Lone
10 Star").

11 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

12 A. I am employed by Weaver and Tidwell, L.L.P. as a Partner in Tax and Strategic
13 Business Services and Certified Public Accountant. I am the accountant for Rough
14 Creek Operating, LP; Rough Creek-Chalk Mountain, LP; Rough Creek Land, LP;
15 Rough Creek Investors, LP; Rough Creek Capital, LP; and Rough Creek Investors GP,
16 LLC.

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 A. My testimony will describe the probable negative economic effects of the installation
19 of Segments ST, NN1, NN2, IJ1, IJ2, or TU on the Rough Creek Lodge property
20 ("Ranch").

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II. SUMMARY

22 **Q. BASED ON YOUR YEARS OF EXPERIENCE IN HANDLING ROUGH**
23 **CREEK LODGE'S ACCOUNTS, PLEASE DESCRIBE THE UNIQUE**
24 **FEATURES OF THE LODGE RELATING TO THE PROPOSED**
25 **TRANSMISSION LINE.**

1 A. Rough Creek Lodge is a unique resort built in a rural area near Glen Rose and Walnut
2 Springs, Texas. The 11,000 acre property offers a luxurious resort experience in a
3 rustic ranch setting. Rough Creek Lodge offers a chance for city dwellers, corporate
4 employees on retreats, families, and anyone seeking a quiet place to get away from the
5 sights and sounds of urban life to experience the native beauty of central Texas. The
6 structures and settings on the Ranch were planned with the enjoyment of unspoiled
7 nature in mind; the lodge in particular was carefully designed to offer unblemished
8 views of sky, a beautiful lake, plains, and rolling hills. The common rooms and patio at
9 the lodge, the hotel rooms, and the cabins are each positioned so that they face the lake
10 to the north of the lodge, with a wooden bench by the lake constituting the only man
11 made structure in sight.

12 One other unique feature of Rough Creek Lodge is its position as one of the
13 largest taxpayers and employers in the area. In 2009, Rough Creek Lodge paid
14 \$2,417,410 to its employees in Somerville, Bosque, Erath, and Hood Counties alone.
15 These are largely rural counties with very few large employers. Rough Creek Lodge is
16 one of the top five employers in Erath County, with approximately 115 employees.
17 Furthermore, Rough Creek Lodge brings approximately 15,000 visitors along with
18 tourism revenue to the otherwise quiet area, and provides much needed sales and hotel
19 taxes to the surrounding areas, in particular the Iredell School District, and supports
20 surrounding small communities by purchasing local services and supplies.

21 **Q. HAVE YOU REVIEWED THE TESTIMONY OF CARY PLATT?**

22 A. Yes.

23 **Q. BASED ON MR. PLATT'S TESTIMONY, DO YOU BELIEVE THAT**
24 **DIMINISHED ROOM DEMAND WILL HAVE A SIGNIFICANT NEGATIVE**
25 **IMPACT ON THE LODGE'S VIABILITY?**

1 A. Yes. The potential decrease in revenue caused by diminished demand for rooms, meals,
2 and outdoor activities at the lodge will have an enormous negative impact on Rough
3 Creek Lodge's viability. Rough Creek Lodge has substantial fixed expenses, and
4 decreases in revenue have a direct impact on cash flow and profitability. The
5 transmission line routes identified above will have a direct negative impact on revenue,
6 cash flow and profitability.

7 **Q. WOULD THE TRANSMISSION LINE'S FINANCIAL IMPACTS ON THE**
8 **ROUGH CREEK LODGE ALSO IMPACT THE LOCAL ECONOMY?**

9 A. Yes, very much so. Any negative impact on the income of the Lodge will directly
10 affect the amount that Rough Creek Lodge contributes to the local economy through
11 reduced employment, lower tax revenue, the diminished purchase of local goods and
12 services, and a reduction in local tourism. For example, any reduction in Rough
13 Creek's revenues would directly reduce the \$2,417,410 Rough Creek Lodge currently
14 pays its employees in Somerville, Bosque, Erath, and Hood Counties and this would no
15 doubt be devastating to these small counties because they have only a few large
16 employers in those counties. Since 2008, Rough Creek Operating, LP has spent
17 \$256,929 on purchases in Bosque County, which was most recently estimated to have a
18 population of 17,760. This kind of economic impact is extremely significant in an area
19 as rural as Bosque County. Similarly, Rough Creek Operating, LP has spent
20 \$1,059,231 in Erath County since 2008, which was most recently estimated to have a
21 population of 35,870, and 497,999 in Somervell County, with a population of 7,942.
22 The impact of Rough Creek Operating, LP's purchases in these three rural counties is
23 substantial, and if these purchases diminished or stopped, the economies of these small
24 communities would be seriously injured. A reduction in the number of annual visitors
25 to the lodge, currently at 15,000, would mean a revenue reduction in those stopping

1 from those stopping in surrounding towns to get gas, buy lunch or go to a local tourist
2 attraction.

3 The surrounding areas also depend on Rough Creek Lodge as one of the largest
4 taxpayers in the area. Any impact in Rough Creek Lodge's business will greatly affect
5 the local tax base, and in particular, the Iredell School District, which depends on the
6 taxes paid by Rough Creek Lodge as the largest commercial taxpayer that supports
7 Iredell School District, in order to function. Rough Creek Operating, LP and Rough
8 Creek-Chalk Mountain LP paid a total of \$123,936.73 in property taxes to Bosque
9 County's Iredell ISD in 2009. This is a significant portion of the school district's entire
10 budget, which totaled \$1,308,902 for the 2009-2010 school year. In 2009, the Erath
11 County Development District collected a total of \$177,983.08 in room taxes from the
12 Rough Creek Lodge. In total, transactions at Rough Creek Lodge generated
13 \$679,034.29 in sales, occupancy, and beverage taxes for Texas and Erath County in
14 2009. Taxes generated and paid by Rough Creek Lodge are obviously significant to the
15 Iredell School District, Erath County, and the state of Texas. If the proposed
16 transmission lines were placed on the ranch, each of these government entities would
17 suffer.

18 **Q. WHAT WOULD BE THE EFFECT OF A DECREASE IN AVERAGE DAILY**
19 **ROOM RATE RESULTING FROM THE TRANSMISSION LINE ON THE**
20 **LOCAL AND STATE ECONOMY?**

21 **A.** The impact of a decrease in the average daily room rate charged by Rough Creek Lodge
22 or the number of rooms occupied would have a large impact on the Erath County
23 Development District (the "District"), which relies on the seven percent (7%) hotel
24 room occupancy tax it collects from guests staying at Rough Creek Lodge, and the
25 state, which collects a six percent (6%) hotel room occupancy tax from guests at Rough

1 Creek Lodge. The average daily room rate for occupied rooms at Rough Creek Lodge
2 from the years 2007 to 2009 is \$266, and the average yearly income from rooms at
3 Rough Creek Lodge in those years is \$2,759,581. The Erath County Development
4 District's seven percent hotel room occupancy tax revenue from Rough Creek Lodge
5 for those years averaged \$193,170.67, and the state's six percent hotel room occupancy
6 tax collection from Rough Creek Lodge for those years averaged \$165,574.86. The
7 Lodge's reduction of hotel guest revenues resulting from placing the transmission line
8 on the Lodge's property is conservatively estimated to be fifteen percent (15%). If the
9 average daily room rate was reduced by fifteen percent (15%), the average yearly
10 income from rooms would be reduced to \$2,345,644, and the District's tax revenue
11 would be reduced to \$164,195.08 and the state's tax revenue would be reduced to
12 \$140,738.64. A fifteen percent (15%) decrease in the average daily room rate at Rough
13 Creek would cut the Erath County Development District's budget by \$28,975 and the
14 state's by \$24,836. A budget decrease of this nature would make a significant negative
15 impact in the ability of the Erath County Development District to perform their
16 given functions.

17 **Q. HAVE YOU DONE ANY ANALYSIS TO ILLUSTRATE YOUR CONCERNS**
18 **ABOUT POTENTIAL REVENUE LOSSES?**

19 Yes. An analysis of the impact of these transmission line routes has been prepared
20 using reasonable assumptions regarding the impact. These assumptions appear on page
21 two and are based upon my history and knowledge of the operation over the past three
22 years. This analysis is attached as Exhibit "A." The analysis shows average cash flow
23 of \$801,374 for the past three years. After the impact of the above proposed
24 transmission lines it shows likely losses could be incurred of up to \$398,290 or even
25 greater if average daily room rates and occupancy dropped by more than 16%. This

1 shows a true impact on profitability and cash flow of nearly \$1,200,000, annually. The
2 \$801,374 profit vanishes and is replaced by negative cash flow of \$398,290, which is a
3 situation that may not be the worst possible case. If this continues for the economic life
4 of the property, the impact could be in the range of tens of millions of dollars. This
5 analysis does not count the impact on the surrounding community.

6 III. CONCLUSION

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 **A. Yes.**

Respectfully Submitted,



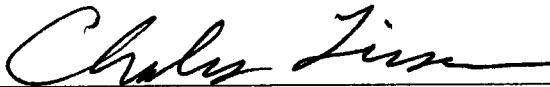
Charles Lieser

VERIFICATION

STATE OF TEXAS §
 §
COUNTY OF TARRANT §

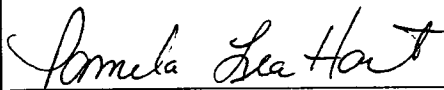
BEFORE ME, the undersigned authority, on this day personally appeared Charles Lieser known to me to be the person whose name is subscribed hereto, and having first been duly sworn by me upon his oath, deposes and testifies as follows:

"My name is Charles Lieser. I am testifying as a witness for Intervenor Rough Creek Operating, LP; Rough Creek-Chalk Mountain, LP; Rough Creek Land, LP; Rough Creek Investors, LP; Rough Creek Capital, LP; And Rough Creek Investors GP, LLC, in PUC Docket No. 38230 concerning the *Application of Lone Star Transmission LLC for a CCN for the Central A to Central C to Sam Switch/Navarro Proposed CREZ Transmission Line*. All of my testimony presented above is within my personal knowledge and is true and correct to the best of my knowledge.

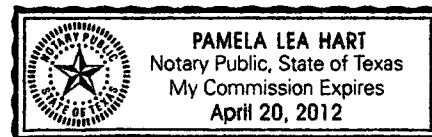


Charles Lieser

SUBSCRIBED AND SWORN TO BEFORE ME on this 13 day of August, 2010.



Notary Public in and for the State of Texas



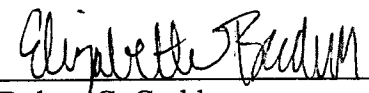
My Commission Expires:

April 20, 2012

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Respectfully submitted,

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**ATTORNEYS FOR ROUGH CREEK
OPERATING, LP; ROUGH CREEK-
CHALK MOUNTAIN, LP; ROUGH
CREEK LAND, LP; ROUGH CREEK
INVESTORS, LP; ROUGH CREEK
CAPITAL, LP; AND ROUGH CREEK
INVESTORS GP, LLC,
INTERVENORS**

Rough Creek Operating LP
ADR Analysis

Description	2007	2008	2009	Total	Average	Fixed Expense	Initial Variable %	Model	4% less ADR & Occupancy	8% less ADR & Occupancy	12% less ADR & Occupancy	16% less ADR & Occupancy
Occupied Rooms	10,423	10,493	9,798	41,331	10,238			10,238	9,828	9,419	9,009	8,600
ADR	279	273	256	266	270			270	259	248	237	226
Income												
Room Department I	2,905,456	2,861,001	2,512,287	8,278,744	2,759,581			2,759,581	2,543,230	2,335,710	2,137,020	1,947,160
Food Dept Revenue	2,279,965	2,362,025	2,132,882	6,774,872	2,258,291		81.8%	2,258,291	2,081,241	1,911,417	1,748,820	1,593,450
Beverage Department	706,422	652,492	586,978	1,925,893	641,964		28.4%	641,964	591,634	543,359	497,137	452,970
Gift Shop Dept Rev	143,005	192,575	159,319	494,899	164,966		6.0%	164,966	152,033	139,627	127,750	116,400
Other Revenue	486,232	687,450	733,864	1,887,546	629,182		22.8%	629,182	579,854	532,540	487,238	443,951
Service Charge & C	0	0	658,319	658,319	219,440		7.6%	219,440	202,235	185,734	169,934	154,837
Wildlife Dept Revenue	1,117,875	1,112,564	942,448	3,172,887	1,057,629		38.3%	1,057,629	974,711	895,177	819,028	746,263
Spa Dept Revenue	408,900	387,433	305,812	1,102,145	367,382		13.3%	367,382	338,579	310,952	284,500	259,225
Equestrian Dept Re	89,319	87,049	83,403	259,770	86,590		3.1%	86,590	79,801	73,290	67,055	61,098
Total Income	8,117,174	8,342,588	8,095,311	24,555,074	8,185,025			8,185,025	7,543,319	6,927,805	6,338,483	5,775,353
Cost of Goods Sold												
Rooms Department	862,242	846,351	806,248	2,514,840	838,280		30.4%	838,280	772,559	709,520	649,164	591,490
Food & Beverage D	2,041,808	1,999,778	1,818,664	5,860,251	1,953,417		67.4%	1,953,417	1,871,012	1,791,986	1,706,928	1,616,672
Gift Shop Department	85,573	113,671	91,004	290,247	96,749		58.6%	96,749	89,164	81,888	74,922	68,266
Other	62,251	68,422	65,403	196,075	65,358		10.4%	65,358	60,234	55,319	50,614	46,117
Service Charge & C	0	0	658,319	658,319	219,440		100.0%	219,440	202,235	185,734	169,934	154,837
Wildlife Department	716,894	723,966	696,968	2,137,828	712,609		67.4%	712,609	656,741	603,152	551,845	502,817
Spa Departmental C	283,862	282,697	219,834	786,393	262,131		71.4%	262,131	241,580	221,868	202,994	184,960
Equestrian Department	63,359	61,001	57,913	182,273	60,758		70.2%	60,758	55,994	51,425	47,051	42,871
Total COGS	4,115,989	4,095,865	4,414,352	12,626,226	4,208,742			4,208,742	3,949,520	3,700,893	3,453,451	3,208,029
Gross Profit	4,001,185	4,246,703	3,680,960	11,928,848	3,976,283			3,976,283	3,593,799	3,226,912	2,885,032	2,567,324
Expense												
Corporate Department	45,764	5,623	101,562	152,949	50,983			50,983	50,983	50,983	50,983	50,983
General & Admin E	755,791	709,698	653,209	2,118,698	706,233			706,233	706,233	706,233	706,233	706,233
Sales & Marketing I	504,348	480,051	431,927	1,416,326	472,109		17.1%	472,109	435,085	399,593	365,601	333,120
Utilities Department	345,982	373,017	297,137	1,016,136	338,712			338,712	338,712	338,712	338,712	338,712
Maintenance Dept I	421,487	430,400	381,807	1,233,694	411,231			411,231	411,231	411,231	411,231	411,231
Total Expense	2,073,374	1,998,789	1,865,641	5,937,804	1,979,268			1,979,268	1,942,255	1,906,752	1,872,760	1,840,279
Other Expense	1,927,812	2,247,915	1,815,318	5,991,045	1,997,015			1,997,015	1,651,544	1,320,160	1,012,272	727,045
Taxes, Insurance & Management Fees/	388,557	412,605	380,309	1,181,471	393,824			393,824	393,824	393,824	393,824	393,824
Interest and Financial	243,562	250,105	219,091	712,759	237,586		2.9%	237,586	218,959	201,093	183,987	167,641
Other Gains & Loss	597,882	670,126	587,153	1,855,160	618,387			618,387	618,387	618,387	618,387	618,387
Total Other Expense	1,203,249	1,241,394	1,141,200	3,585,843	1,195,281			1,195,281	1,176,654	1,156,788	1,141,682	1,125,336
Cash Flow	724,563	1,006,521	674,118	2,405,201	801,734			801,734	474,990	161,372	-129,410	-398,290

Rough Creek Operating LP
ADR Analysis

Assumptions	2007	2008	2009	TOTAL	AVG 2007 thru 2009	Fixed Expense	Initial Variable %	Model	4% less ADR & Occupancy	8% less ADR & Occupancy	12% less ADR & Occupancy	16% less ADR & Occupancy
Income Assumptions												
Calculated at												
Room Department Revenue												
Food Dept Revenue							81.8%					
Beverage Department Revenue							28.4%					
Gift Shop Dept Revenue							6.0%					
Other Revenue							22.8%					
Service Charge & Gratuity Inc							7.6%					
Wildlife Dept Revenue							38.3%					
Spa Dept Revenue							13.3%					
Equestrian Dept Revenue							3.1%					
Cost of Goods Sold % Assumptions												
Calculated at												
Rooms Departmental Costs								30.4%	30.4%	30.4%	30.4%	30.4%
Food & Beverage Dept Cost								67.4%	70.0%	73.0%	76.0%	79.0%
Gift Shop Departmental Costs								58.6%	58.6%	58.6%	58.6%	58.6%
Other								10.4%	10.4%	10.4%	10.4%	10.4%
Service Charge & Gratuity Exp								100.0%	100.0%	100.0%	100.0%	100.0%
Wildlife Departmental Costs								67.4%	67.4%	67.4%	67.4%	67.4%
Spa Departmental Costs								71.4%	71.4%	71.4%	71.4%	71.4%
Equestrian Departmental Costs								70.2%	70.2%	70.2%	70.2%	70.2%
Expense												
Calculated at												
Corporate Department												
General & Admin Expenses												
Sales & Marketing Expense												
Utilities Department												
Maintenance Dept Expense												
Other Expense												
Taxes, Insurance & Leases												
Management Fees/Other												
Interest and Financing Charges												
Other Gains & Losses												
Total Other Expense												