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SOAH DOCKET NO. 473-14-5138
PUC DOCKET NO. 42857

PETITION OF NORTH AUSTIN § BEFORE THE STATE OFFICE
MUNICIPAL UTILITY DISTRICT NO. 1, §
NORTHTOWN MUNICIPAL UTILITY §
DISTRICT, TRAVIS COUNTY WATER §
CONTROL AND IMPROVEMENT §
DISTRICT NO. 10 AND WELLS §
BRANCH MUNICIPAL UTILITY § OF
DISTRICT ("PETITIONERS"), FROM §
THE RATEMAKING ACTIONS OF THE §
CITY OF AUSTIN ("CITY") AND §
REQUEST FOR INTERIM RATES IN §
WILLIAMSON AND TRAVIS §
COUNTIES § ADMINISTRATIVE HEARINGS

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FROM THE RATEMAKING ACTIONS §
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AND REQUEST FOR INTERIM RATES §
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**PETITIONERS' SECOND SUPPLEMENTAL RESPONSE TO
REQUEST FOR DISCLOSURE**

TO: CITY OF AUSTIN, BY AND THROUGH ITS ATTORNEY OF RECORD,
GWENDOLYN HILL WEBB, WEBB & WEBB, 712 SOUTHWEST TOWER, 211 E.
7TH STREET, AUSTIN, TEXAS 78701.

Respectfully submitted,

Randall B. Wilburn, Attorney at Law
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Telephone: (512) 535-1661
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RESPONSES TO REQUESTS FOR DISCLOSURES UNDER RULE 194

- (a) the correct names of the parties to the lawsuit;

RESPONSE: The correct names of the parties to the lawsuit are set forth in the ALJ's Order No. 2.

- (b) the name, address, and telephone number of any potential parties;

RESPONSE: At this time, Petitioners are unaware of any other potential parties other than other wholesale water customers of the City of Austin.

- (c) the legal theories and, in general, the factual bases of the responding party's claims or defenses.

RESPONSE: The City of Austin ("City") has not and cannot meet its burden of proof regarding the justness or reasonableness of its wholesale water and sewer rates. The City's proposed rates do not accurately reflect the City's cost of rendering water and wastewater service to the ratepayers of the City of Austin or the Petitioners. The expenses listed in the City's rate model and prefiled testimony are not reasonable or necessary to provide water or wastewater service to the Petitioners, and many are not allowable under the Commission's rules or the Texas Water Code. The City's operation and maintenance expenses are not reasonable and necessary to provide water and wastewater service to the Petitioners. The City's depreciation expenses are not reasonable and necessary. The City's property and infrastructure included in the rate design are not used and useful to the City for service to the Petitioners, and, therefore, the rates based upon the cost of that property and infrastructure are neither reasonable nor necessary for the provision of service to the Petitioners. The cash funding of projects exceeds that which is necessary to maintain and support the City and to maintain and support the City's credit. Further, the cash funding of construction projects exceeds that which is necessary to enable the City to raise the money necessary for the proper discharge of its public duties. The City's financial policies regarding capital funding and debt service are unjust and unreasonable because they inappropriately result in the excessive recovery of revenue from the Petitioners. The proposed rates exceed the amount that is necessary to allow the City to construct facilities capable of providing adequate and continuous utility service to these Petitioners. The wholesale rate design is not just or reasonable because it inappropriately over-recovers costs from the wholesale customers. The wholesale water and wastewater rates result in revenues that exceed the amount that is just and reasonable for the City to charge the Petitioners for water and wastewater service.

- (e) the name, address, and telephone number of persons having knowledge of relevant facts, and a brief statement of each identified person's connection with the case;

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www.spubfin.com

(2) the subject matter on which the expert will testify;

RESPONSE: Mr. Joyce will testify on behalf of Petitioners regarding the appropriate rate for the City of Austin, including the cost of service.

Mr. Murfee will testify regarding the existing infrastructure of the City of Austin, the new infrastructure being built that is unrelated to the provision of service to the Petitioners, and the included costs for unnecessary infrastructure that are not reasonable and necessary expenses of the utility.

Mr. Malish will testify regarding the existing infrastructure of the City of Austin, the new infrastructure being built that is unrelated to the provision of service to the Petitioners, and the included costs for unnecessary infrastructure that are not reasonable and necessary expenses of the utility.

Mr. Arndt will testify regarding the existing infrastructure of the City of Austin serving Travis County WCID No. 10, the new infrastructure being built that is unrelated to the provision of service to the Petitioners, and the included costs for unnecessary infrastructure are not reasonable and necessary expenses of the utility.

Mr. Foster will testify regarding the existing infrastructure of the City of Austin serving Northtown MUD, the new infrastructure being built that is unrelated to the provision of service to the Petitioners, and the included costs for unnecessary infrastructure are not reasonable and necessary expenses of the utility.

Mr. Kimball will testify regarding financial policies necessary to secure public financing for utility projects.

Mr. Arndt will testify regarding the City of Austin's proposed rate and cost of service and his recommendation that the TCEQ deny the rate increase as proposed by the City of Austin. The general substance of Mr. Arndt's mental impressions and opinions is that he believes that the costs associated with the construction of new infrastructure included in the rate design are not reasonable or necessary expenses of the day-to-day operations of the utility, and the values included in the application do not accurately reflect those costs incurred by the utility during the test year. Mr. Arndt bases his opinion upon the filings by all Parties in this matter, his knowledge of the City of Austin's operation, his knowledge and experience as a Licensed Professional Engineer, his knowledge of the City of Austin's facilities and associated property, and the files within the possession of the Texas Commission on Environmental Quality for this matter.

Mr. Foster will testify regarding the City of Austin's proposed rate and cost of service and his recommendation that the TCEQ deny the rate increase as proposed by the City of Austin. The general substance of Mr. Foster's mental impressions and opinions is that he believes that the costs associated with the construction of new infrastructure included in the rate design are not reasonable or necessary expenses of the day-to-day operations of the utility, and the values included in the application do not accurately reflect those costs incurred by the utility during the test year. Mr. Foster bases his opinion upon the filings by all Parties in this matter, his knowledge of the City of Austin's operation, his knowledge and experience as a Licensed Professional Engineer, his knowledge of the City of Austin's facilities and associated property, and the files within the possession of the Texas Commission on Environmental Quality for this matter.

Mr. Kimball will testify regarding the City of Austin's proposed rate and cost of service and his recommendation that the TCEQ deny the rate increase as proposed by the City of Austin. The general substance of Mr. Kimball's mental impressions and opinions is that he believes that the costs associated with the bond coverage and financial policies of the City of Austin included in the rate design are not reasonable or necessary expenses of the utility, and the values included in the application do not accurately reflect those costs incurred by the utility during the test year. Mr. Kimball bases his opinion upon the filings by all Parties in this matter, his knowledge and experience as a financial advisor, his knowledge of the City of Austin's bond documents and financial policies, and the files within the possession of the Texas Commission on Environmental Quality for this matter.

(4) if the expert is retained by, employed by, or otherwise subject to the control of the responding party:

- (A) all documents, tangible things, reports, models, or data compilations that have been provided to, reviewed by, or prepared by or for the expert in anticipation of the expert's testimony; and

JAY JOYCE

President

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Experience:

Water and Wastewater Utility Consulting

- Mr. Joyce has directed engagements associated with the following water, wastewater, and steam production utilities:

Cost of Service Studies/Rate Studies

Aqua Texas (water & wastewater)
Chisholm Trail Special Utility District (water)
City of Arlington (wastewater)
City of Austin (water)
City of Kilgore (water)
City of Knollwood (water and wastewater)
City of Lewisville (water and wastewater)
City of Mesquite (water and wastewater)
City of Midlothian (water)
City of North Richland Hills (water and wastewater)
City of Paris (water and wastewater)
City of Pflugerville (water and wastewater)
City of Rollingwood (water and wastewater)
City of Rowlett (water and wastewater)
City of Waco (water)
City of West Lake Hills (wastewater)
Cottonwood Creek MUD No. 1 (water and wastewater)
Crosby Municipal Utility District (water and wastewater)
Culleoka Water Supply Corporation (water)
Dallas Water Utilities (water and wastewater)
Fort Worth Water Department (water)
Guam Water Works (water and wastewater)
Lakeside Utilities, Inc (water and wastewater)
Lakeway Municipal Utility District (water and wastewater)
Lower Colorado River Authority (wastewater)
Metro H2O (water)
Monarch Utilities (water)
Nashville Metro Water Services (wastewater)
Nashville Thermal Transfer Corporation (steam)
Northtown Municipal Utility District (water and wastewater)
Paseo del Este Municipal Utility District No. 1 (water and wastewater)
Rockett Special Utility District (water)
Titus County Fresh Water Supply District No. 1 (water)
Town of Flower Mound (water)
Travis County Municipal Utility District No. 2 (water and wastewater)
Travis County Municipal Utility District No. 4 (water and wastewater)
Travis County Municipal Utility District No. 11 (water and wastewater)
Travis County Municipal Utility District No. 12 (water and wastewater)
Travis County Municipal Utility District No. 13 (water and wastewater)
Travis County Municipal Utility District No. 14 (wastewater)



Southwest Power Pool
 Southwest Public Service Company
 Southwestern Bell Telephone Company
 Texas-New Mexico Power Company
 Tucson Electric Power
 TXU Electric Delivery
 TXU Energy Retail
 TXU Gas Distribution
 TXU Lone Star Pipeline
 Vectren Energy Delivery of Ohio
 Washington Natural Gas
 Western Resources
 Wisconsin Electric Company

Selected Engagement Summaries:

- Directed the valuation of Mt. Carmel Public Utilities, a small investor-owned electric and gas company. The scope of the engagement included ratio analyses for comparable electric utilities, the evaluation of financial performances, analysis of strategic characteristics affecting value and regulatory environment analysis.
- Directed the valuation of CoServ's electric utility business primarily relying on a discounted cash flow analysis, and supported by per-meter analyses of market comparables. A range of overall values was developed for various growth scenarios.
- Conducted settlement negotiations on behalf of Lakeside Utilities, Inc. for the water and wastewater rate increase request before the TNRCC. Issues included valuation of plant-in-service, return, federal income tax methodology and working capital allowance.
- Directed the City of Pflugerville's valuation of the Windermere Utility Company's net assets relating to a potential purchase of the assets. Extensive research concentrated on the utility's contributed capital and corresponding obligations to provide current and future water service.
- Supervised a cost segregation study on behalf of Titus County Fresh Water Supply District No. 1 relating to the planned purchase of water rights in a reservoir owned and operated by Franklin County Water District. The study identified the reservoir expenses unrelated to water supply for exclusion from the cost sharing mechanism contemplated in the proposed agreement.
- Directed the litigation efforts for the City of Waco, Texas pertaining to a Texas Natural Resources Conservation Commission appeal of the water rates charged by Waco to a wholesale customer. Prepared expert testimony, directed cross-examination of witnesses, and participated in extensive negotiations and mediation.
- Participated in litigation assistance for the proposed merger of Southwestern Public Service Company and Public Service Company of Colorado. Activities included development of rebuttal testimony and assistance with discovery requests before the Texas, Colorado and New Mexico regulatory commissions negotiations and mediation.
- Filed expert testimony on the appropriate ratemaking treatment of \$89 million in Houston Lighting & Power Company restructuring costs. Participated in all



Previous employment experience:	Owner Alliance Consulting Group	2005 - 2008
	Director Management Applications Consulting, Inc.	2003 - 2005
	Senior Manager, Financial Advisory Services Deloitte & Touche LLP	1995 - 2003
	Manager Reed-Stowe & Co., Inc.	1989 - 1995
	Real Property Appraiser Kaiser & Associates	1986 - 1988
Education:	Southern Methodist University, M.B.A. University of Texas at Austin, B.B.A., Finance	
Professional:	American Water Works Association Water Environment Federation Institute of Management Consultants	
Presentations:	Texas Water Conservation Association: "Conservation Rates" Water Environment Federation of Texas: "Alternative Funding for Capital Improvements" Texas Rural Water Association: "How to Determine Your Cost of Service"	



Murfee Engineering Company, Inc.

- Responsible for the preparation of detailed design and specifications for improvements to the 8,000 gpm Travis County MUD #4 surface water intake structure.
- Project director and primary design engineer for the reconstruction of the Rattan Creek Lift Station and force main.
- Responsible for the design of the 250,000 gallon elevated Travis County WCID #20 storage tank along Bee Cave Road, Travis County, Texas.
- Project Director for the redesign/relocation of the Lake Creek Lift Station.
- Responsible for the design of the 400,000 gallon Lower Colorado River Authority (LCRA) elevated storage tank along Bee Cave Road, Travis County, Texas.
- Project Director for the design of the 800,000 gallon per day Travis County WCID #20 surface water treatment plant in Travis County, Texas as well as a 1.0 MGD expansion to that facility.
- District engineer for North Austin MUD No. 1 1987 to present.
- Responsible for the design of the groundwater production and treatment facilities for the New Mexico Border Crossing facilities in Dona Ana County, New Mexico.
- Developed water and sewer master plan for continued expansion of the Wells Branch Municipal Utility District System in Travis and Williamson County, Texas. This work included establishing a water model for service predictions, system expansion requirements, and diagnosing system deficiencies.
- Developed water and wastewater master plan for continued expansion of the North Austin Municipal Utility District system in Travis and Williamson County, Texas. This work included establishing a water model for service predictions, system expansion requests, and diagnosing system deficiencies.
- Project Director for the design of the 520 gpm surface water intake structure and expansion for the Travis County WCID #20 Development in Austin, Texas.

ENGINEERING WORK HISTORY:

Summer 1973	Design Engineer in Training Freese & Nichols, Inc. Fort Worth, Texas
1975 – 1978	Research Engineer in Training Radian Corporation Austin, Texas
1978 – 1982	Research and Design Engineer SumX Corporation Austin, Texas
1982 – Present	Vice President – Design Engineer Murfee Engineering Company, Inc. Austin, Texas

Travis County WCID No. 10, RM 2244 Waterline, Project Manager

Managed the design for the relocation of 1,600' of 12" water line along Bee Caves Road (RM 2244) in conjunction with the roadway widening project by TxDOT that involved conducting the acquisition of an easement for approximately half of the project's length. Project challenges involved limited ROW, coordination with numerous utilities, proximity of large healthy trees, and the requirement to continuously provide water service to businesses. Mr. Arndt was instrumental in obtaining approvals for the Austin Water Utility and TxDOT.

Travis County WCID No. 10, Red Bud Pump Station Improvements, Project Manager

Dannenbaum provided design & construction administration services for the rehabilitation/ expansion of Travis County WCID 10 Pump Station No. 1 to 10 MGD firm pumping capacity, requiring the addition of one new 2250 GPM vertical turbine pump, adding variable speed motors to two pumps allowing for the removal of three small pumps, and replacement of the entire electrical system to meet current codes and to serve the District during periods of low flow. Work included a new electrical/PLC building that allowed for a future SCADA system, an additional 12-inch water discharge line, and renovation of the existing pump building.

South 1st Street Water Line Replacement, Austin Texas, Project Manager

This project includes the replacement of 2,800 LF of 8-inch water line along with 30 water services. The project is located south of downtown Austin and is complicated by the number of existing utilities and the need to maintain traffic on this major arterial.

Travis County WCID No. 10, Eanes ISD Waterline, Project Manager

Design services for approximately 6500 linear feet of 12-inch water transmission main to increase Fire Flow to 2 elementary schools and a High School. The project was designed, bid and constructed within 1 year to enable the schools to open the new school year without construction activity occurring.

Rob Roy Water Storage Facility, Travis County, Texas, Project Manager

Design of a 1 million-gallon water storage tank to increase the water supply for the 1080-pressure plane. Construction plans included site preparation and steel tank with telemetry controls to Pump Station No. 2. The storage tank was part of an overall capital improvements program to provide increased pressure, water availability, and fire flow.

Bee Caves Road (RM 2244) Water Line Relocation, Travis County, Texas, Project Manager

Design of 7,500 linear feet of 8-inch and 12-inch water lines necessitated by the roadway widening to be performed by TxDOT.

Rob Roy Subdivision Water Line Upgrade, Travis County, Texas, Project Manager

This project included design of 11,700 linear feet of 12-inch to 20-inch diameter parallel water transmission mains in the 250-connection Rob Roy Subdivision. These mains were necessary in order to maintain sufficient pressure during the dry summer months when water use is at a peak.

Camelot Subdivision Water Line Upgrade, Travis County, Texas, Project Manager

Design of 3,700 linear feet of 6 and 8-inch diameter line that replaced the existing 2.25 and 4-inch diameter lines. These mains were necessary to insure sufficient domestic and fire flow for both the Upper and Lower Camelot Subdivisions.

Rob Roy Water Master Plan, Travis County, Texas, Project Manager

Retained to prepare a water master plan for the Rob Roy subdivision, an upscale development with 250 connections. The existing system of 6 and 8-inch lines proved to be inadequate due to the amount of residential irrigation demands, which are over 500,000 gallons per month for some of the connections. The irrigation demands led to low pressures at certain locations, leading to concerns of the available fire protection. Utilized the Kentucky Pipe Model (KYPIPE) to extensively analyze the system for the residential domestic and irrigation demands, the future commercial requirements and the fire flow requirements. The initial project added 12, 16 and 20-inch transmission mains. Subsequent projects will be constructed by developers and will complete the looped system for this subdivision.

Travis County WC&ID No. 10 Water Master Plan, Travis County, Texas, Project Manager

This water master plan was prepared in order to establish the District's 10-year upgrade requirements and was subsequently incorporated into a \$3,000,000 bond application submitted to Texas Natural Resources Conservation Commission. Extensive Kentucky Pipe Modeling (KYPIPE) modeling was performed to identify the projects required to maintain sufficient domestic and fire protection flows. The plan recommend 3 major transmission main projects, the construction of an additional 1,000,000-gallon storage facility and the addition of 4,000 gpm of pumping capacity. The capital improvement program is ongoing with the transmission and storage facilities completed. Responsible for design, permitting and construction phase services for this program.



Scott J. Foster, P.E., LEED AP — Principal-in-Charge

Scott has more than 20 years of diverse private and public experience in Austin, Texas and surrounding communities. As a project manager, Scott has extensive experience in taking projects from initial site feasibility and due diligence through preliminary and final design to construction and final punch lists. Typical duties include supervision of design team, coordination of development requirements, quality control, client development, client contact, and monitoring of the governmental review and approval processes. He has a reputation among his clients and peers for providing exceptional quality in his work product, superior communication, and team coordination, all of which keep projects on schedule and within budget constraints in order to achieve the project's objectives. His thorough understanding of land development makes him an invaluable asset to clients and team members.

Professional Credentials

Bachelor of Science, Civil Engineering, Texas A&M University, 1994

Licensed Professional Engineer

LEED® Accredited Professional

Texas Department of Transportation Pre-Certification

Category 1 4 1 – Land Planning/Engineering

Category 9 1.1 – Bicycle and Pedestrian Facility Development

Representative Project Experience

- Frost Tower – Austin, TX
- Colorado Tower – Austin, TX
- Sonterra Single Family Master Planned Community – Jarrell, TX
- Hill Country Galleria – Bee Cave, TX
- Northtown MUD District Engineer – Austin, TX
- Block 29 - Austin, TX
- Cedar Park Aquatic Center – Cedar Park, TX
- Cedar Park Library – Cedar Park, TX
- Round Rock Aquatic Center – Cedar Park, TX
- Killeen Aquatic Center – Killeen, TX
- Whole Foods Transportation Facility - Austin, TX
- Whole Foods – Bee Cave, TX
- Belmont Village – West Lake, TX
- Ben E Keith – Austin, TX
- Office Depot - Austin, TX
- Sarita Valley Master Planned Community – Leander, TX
- Cedar Park Town Center – Cedar Park, TX
- Bee Cave Central Park – Bee Cave, TX
- HEB - Dripping Springs, TX
- HEB – Leander, TX
- Goodwill Transportation Facility – Austin, TX
- Goodwill Retail Store – Pflugerville, TX
- Research Park-Austin, TX
- Office Depot - Austin, TX
- Avery Park Master Planned Community – New Braunfels, TX
- Cameron Road Corporate Park - Austin, TX
- Kohl's Department Stores – Various, TX
- Murphy Oil - Nationwide