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SOAH DOCKET NO. 473-15-3742.WS

PUC DOCKET NO. 43078

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APPLICATION OF FREMONT WATER
COMPANY FOR A WATER
RATE/TARIFF CHANGE IN KERR
COUNTY (37993-R)

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BEFORE THE STATE OFFICE FOR
FILING CLERK

OF

ADMINISTRATIVE

HEARINGS



DIRECT TESTIMONY IN SUPPORT OF STIPULATION
HEIDI GRAHAM
WATER UTILITY DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS
DECEMBER 21, 2015

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- Attachment HG-2 Resume of Heidi Graham

I. PROFESSIONAL QUALIFICATIONS

Q. Please state your name and business address.

A. Heidi Graham, Public Utility Commission, 1701 N. Congress Avenue, Austin, Texas 78711-3326.

Q. By whom are you currently employed and in what capacity?

A. I have been employed by the Public Utility Commission (“PUC” or “Commission”) since September 1, 2014, as a staff engineering specialist in the Water Utilities Division. I was previously employed by the Texas Commission on Environmental Quality from December 1, 2006 to August 31, 2014, in a similar capacity.

Q. What are your principal responsibilities at the Commission?

A. My responsibilities include reviewing and processing applications to obtain, or amend certificates of convenience and necessity (“CCN”); reviewing rate filings and participating in negotiating settlements; preparing testimony and exhibits for contested case matters involving investor-owned, non-profit and governmental water and sewer utilities; and conducting rate-related inspections of water or sewer utility systems within the state.

Q. Please state your educational background and professional experience.

A. I have provided a summary of my educational background and professional regulatory experience in Attachment HG-2 to my direct testimony.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Staff of the Public Utility Commission (Staff).

II. PURPOSE AND SCOPE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

1 A. The purpose of my testimony is to support the Unanimous Stipulation and Settlement
2 Agreement that Fremont Water Company (“Fremont” or “Utility”) and all parties have
3 reached in this proceeding.

4 **Q. What is the basis of your recommendation?**

5 A. My recommendation is based on a review of Fremont’s application for a water rate/tariff
6 increase, the rate filing for their last case and accompanying work papers. I verified that the
7 total revenue increases generated by settled rates do not exceed the water and sewer annual
8 revenue increases as stated in Fremont’s application and the utility’s notice of proposed rate
9 change.

10 **Q. What is the standard that you are using to make your determination concerning the**
11 **overall reasonableness of the Stipulation?**

12 A. The standards I am using are:¹
13 16 Tex. Admin. Code § 24.28(6) (TAC) which states, “If the commission conducts a hearing,
14 it may establish rates different from those currently being charged or proposed to be charged
15 by the utility, but the total annual revenue increase resulting from the commission’s rates
16 may not exceed the greater of the annual revenue increase provided in the customer notice
17 or revenue increase that would have been produced by the proposed rates except for the
18 inclusion of reasonable rate case expenses.”; and
19 16 TAC § 24.31 (a-c) which states:
20 “Rates are based upon a utility’s cost of rendering service. The two components of cost of
21 service are allowable expenses and return on invested capital.... Only those expenses that
22 are reasonable and necessary to provide service to the ratepayers may be included in

¹ September 13, 2015, 16 TAC §§ 24,28(6) and 24.31(a-c) were rewritten. My testimony is based upon the prior written rules because this Application was filed before the new rules became effective.

allowable expenses.... The commission shall allow each utility a reasonable opportunity to earn a reasonable rate of return, which is expressed as a percentage of invested capital, and shall fix the rate of return in accordance with the principles" included in the substantive rules.

III DISCUSSION OF THE STIPULATION

Q. What are some benefits of the stipulation?

A. The Stipulation includes, among its major benefits, the following agreements:

- Saves additional rate case expenses for continued litigation of the case for parties and the Commission; and
- Settled rates generate revenue less than the noticed rates and annual revenue increase.

Q. What are the primary terms of the Stipulation?

A. Regarding rates, the stipulation includes the following terms:

- Establishment of the following base and volumetric rates:

Water		
Meter	Base Rate (0 gallons included)	Gallonage Charge
5/8" x 3/4"	\$13.95	\$4.25 per 1,000 gallons
3/4"	\$20.97	
1"	\$34.95	
1½"	\$69.75	
2"	\$111.60	
3"	\$223.20	

- The total revenue generated by the settled rates compared to Fremont's requested revenue is as follows:

	Water
Requested Annual Revenue	\$62,846

Annual Revenue Generated by Settled Rates	\$62,027
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- Fremont will not surcharge or otherwise seek to recover from the ratepayers any rate case expenses that relate to Fremont's current rate case under SOAH Docket No. 473-15-3472.WS or Commission Docket No. 43078. Each party will bear its own expenses.
- Fremont shall not be required to issue refunds/credits for the difference between its noticed rates in effect between January 31, 2015, and the effective date of the stipulated rates set by the Commission's order. Fremont will be allowed to keep all revenue collected under the rate schedule in effect for this time period.

Q. Are the terms of the Stipulation fair and reasonable?

A. Yes, in my opinion, the implementation of the terms in the Stipulation will result in a fair and reasonable outcome for the parties. Based upon my review, the Stipulation contains a revenue requirement that is within a reasonable range of likely results produced from continued litigation. It is also my opinion that a fully litigated docket could potentially produce an outcome, including rate case expense, which would be less favorable to the parties.

IV. RECOMMENDATION

Q. What is your recommendation as to the Stipulation?

A. I recommend that the Commission find that terms of the Stipulation are in the public interest and adopt the Stipulation in its entirety.

Q. Does this complete your testimony?

A. Yes.

Heidi Graham, EIT
Public Utility Commission of Texas (PUC)
List of Previous Testimony

Testimonies for TCEQ

Docket	Company	Application Type
SOAH 582-08-4354	James Maib dba H2O Systems Plus	Rate application
SOAH 582-08-2863	Lower Colorado River Authority	Rate Appeal
SOAH 582-08-4353	Interim-La Ventana	Sale, Transfer, Merger
SOAH 582-09-0660	North San Saba WSC	Rate Appeal
SOAH 582-09-0592	City of Nixon	CCN Amendment
SOAH 582-10-3422	Denton Co. WCID No. 1	Rate Appeal
SOAH 582-10-5999	City of Kerrville	CCN Amendment
SOAH 582-13-4616	HHJ dba Decker Utilities	Rate Application
SOAH 582-13-4616	M.E.N. WSC	Cost of Service Appeal

Testimonies for PUC

Docket	Company	Application Type
SOAH 473-14-0366	SJWTX, Inc. dba Canyon Lake Water Service Co.	Rate Application
SOAH 473-15-0623.WS	Castle Water, Inc. dba Horseshoe Bend Water System	Rate Application
SOAH 473-14-5138	City of Austin	Wholesale Appeal
SOAH 473-14-5144.WS	West Travis County PUA	Wholesale Appeal
SOAH 473-15-0371	Crystal Springs Water Co. Inc.	CCN Amendment
SOAH 473-14-5139	Town of Woodloch	Rate Appeal
SOAH 473-14-5143	Douglas Utility Company	Rate Settlement

Heidi Graham

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Work Experience

Engineering Specialist V

9/2014 - Present Public Utility Commission, Austin, Texas

Process Convenience and Necessity (CCN) applications. Perform depreciation studies, quality of service evaluations, design rates for utility rate applications and testify in hearings.

Engineering Specialist V

12/2006 – 8/2014 Texas Commission on Environmental Quality, Austin, Texas

Review plans, specifications and engineering reports for new or modified public water systems to ensure compliance with Federal and State standards. Process Convenience and Necessity (CCN) applications. Perform depreciation studies, quality of service evaluations and design rates for utility rate applications and testify in hearings.

Project Manager

6/2006 - 12/2006 Gunze Electronics USA, Austin, Texas

Developed schedules establishing sequence and time frame of manufacturing operations in order to meet production requirements for Electroluminescent Lamps and External Gasket production lines. Reviewed orders, shipping needs, plant capacity and inventory before drawing up schedules. Review engineering drawings and bill of materials (BOM) for accuracy before releasing to production. Responsible for materials database implementation.

Shift Manager

8/2005 - 4/2006 Bealls, Bastrop, Texas

Accountable for managing all aspects of retail clothing store.

Assistant Store Manager

8/2003 - 5/2005 McDonalds, Elgin, Texas

Accountable for managing all aspects of fast food restaurant, including inventory, cash management and scheduling.

Inventory Control/Production Control Planner

4/1994 - 4/2003 Applied Materials, Austin, Texas

Created and maintained documents in the Quality Management System. Provided inventory and production forecast and scheduling using Oracle

materials database. Built, developed and tested Thin Film Technology (TFT) prototypes.

Aircraft Maintenance Officer

12/1988 - 12/1992 U.S. Air Force, Holloman Air Force Base, New Mexico

Led, trained and equipped 75 to 250 maintenance personnel at home base and deployed locations. Managed maintenance and modification of 25 fighter aircraft and associated equipment. Maintained workforce discipline and responded to personnel issues while balancing workforce availability and skill levels with operational requirements. Ensured adherence to technical data, policy, procedures and safe maintenance practices. Maintained aircraft configuration: daily aircraft servicing, weapons loading, launch recovery and repair, periodic aircraft maintenance inspections and requirements.

Education

8/1983 - 5/1988 University of Missouri, Rolla, Missouri

Bachelor's Degree in Mechanical Engineering