

**Q. WHAT INFORMATION WAS PROVIDED?**

A. Community Water Service maintains records of customers, deposits and any unpaid interest. Community Water Service provided a list of all customers serviced by the Facilities as well as records of all customer deposits and interest to Mr. Carroll.

**Q. I SHOW YOU WHAT'S BEEN MARKED AS APPLICANTS' EXHIBIT A-16. DOES THIS APPEAR TO BE A TRUE AND CORRECT COPY OF THE CUSTOMER AND CUSTOMER DEPOSIT INFORMATION PREVIOUSLY PROVIDED BY YOU TO WALTER J. CARROLL WATER COMPANY?**

A. Yes.

[APPLICANT OFFERS APPLICANTS' A-16 – Customer List and Deposit Information]

**Q. WILL COMMUNITY WATER SERVICE PROVIDE UPDATED INFORMATION TO WALTER J. CARROLL WATER COMPANY?**

A. Yes. Upon the approval of the Application, and as part of the closing, my company will provide all books of customer account, maintenance records, well files, and all other records relating to the operation, design and management of the Facilities.

**Q. WHAT WILL YOU DO WITH THE CUSTOMER DEPOSITS?**

A. The deposits will be transferred to Walter J. Carroll Water Company for the identified customer's benefit while the Facilities are operated by Mr. Carroll's company.

**VII. RECOMMENDATIONS AND CONCLUSION**

**Q. WILL YOU PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS IN THIS PROCEEDING?**

A. Yes. Based upon my more than 35 years of experience in the business of public water systems, and based upon my review of the Application and the other information referenced in this testimony, it is my professional opinion that the Application should be approved as submitted, and that Utility Commission should approve the transfer of the Facilities in issue from Community Water Services, Inc. to Walter J. Carroll Water Co., Inc. Mr. Carroll appears to be more than capable of all applicable technical and managerial responsibilities relating to the

Facilities and to continue rendering adequate and continuous service to every consumer within the certified area.

**Q. DO YOU RECOMMEND APPROVAL OF THE SALE, TRANSFER OR MERGER MADE THE BASIS OF THE APPLICATION IN FAVOR OF APPLICANTS?**

A. Yes.

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY AT THIS TIME?**

A. Yes. Subject to review of further documentation and the testimony of any other witnesses submitted by the Commission or any other interested party, this concludes my direct testimony.

SOAH Docket No. 473-15-2274  
PUC Docket No. 43175

APPLICATION OF COMMUNITY §  
WATER SERVICE, INC. and § BEFORE THE STATE OFFICE  
WALTER J. CARROLL CO., INC. §  
INVESTORS, LP, FOR SALE, TRANSFER, § OF  
OR MERGER OF FACILITIES AND § ADMINISTRATIVE HEARINGS  
CERTIFICATE RIGHTS IN ELLIS COUNTY §

APPLICATION NO. 37981-S

AFFIDAVIT

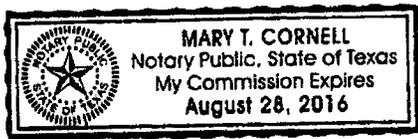
STATE OF TEXAS §  
§  
COUNTY OF ELLIS §

BONNIE FRAME, upon first being duly sworn according to law, under oath deposes and states: That I have read the foregoing Direct Testimony and referenced Exhibits and they are true and accurate representations of what the testimony would be if the testimony were to be given orally at the time the written testimony is offered into evidence.

SIGNED this the 6 day of May, 2015.

Bonnie Frame  
BONNIE FRAME

SUBSCRIBED AND SWORN to before me this the 6<sup>th</sup> day of May, 2015.



Mary T. Cornell  
NOTARY PUBLIC, STATE OF TEXAS

SOAH Docket No. 473-15-2274  
PUC Docket No. 43175

APPLICATION OF COMMUNITY §  
WATER SERVICE, INC. and § BEFORE THE STATE OFFICE  
WALTER J. CARROLL CO., INC. § OF  
INVESTORS, LP, FOR SALE, TRANSFER, §  
OR MERGER OF FACILITIES AND § ADMINISTRATIVE HEARINGS  
CERTIFICATE RIGHTS IN ELLIS COUNTY §

APPLICATION NO. 37981-S

DIRECT PRE-FILED TESTIMONY OF  
RICKY L. REEDER

IN SUPPORT OF

APPLICANTS,  
COMMUNITY WATER SERVICE, INC.

and

WALTER J. CARROLL CO., INC.'S

IN SUPPORT OF

APPLICATION FOR SALE, TRANSFER OR MERGER OF FACILITIES AND  
CERTIFICATE RIGHTS IN ELLIS COUNTY, TEXAS

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APPLICANTS'  
EXHIBIT

C

**DIRECT PRE-FILED TESTIMONY OF  
RICKY L. REEDER**

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SOAH Docket No. 473-15-2274  
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APPLICATION OF COMMUNITY §  
WATER SERVICE, INC. and § BEFORE THE STATE OFFICE  
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APPLICATION NO. 37981-S

PRE-FILED DIRECT TESTIMONY OF  
RICKY L. REEDER

IN SUPPORT OF

APPLICANTS,  
COMMUNITY WATER SERVICE, INC.  
and

WALTER J. CARROLL CO., INC.'S

IN SUPPORT OF

APPLICATION FOR SALE, TRANSFER OR MERGER OF FACILITIES AND  
CERTIFICATE RIGHTS IN ELLIS COUNTY, TEXAS

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I. STATEMENT OF QUALIFICATIONS

Q. WHAT IS YOUR NAME AND ADDRESS?

A. My name is Ricky L. Reeder. My work address is 513 Winding Creek Trail, Red Oak, Texas 75154.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am employed by Walter J. Carroll Water Company, Incorporated; also known as Carroll Water Company, Inc.

Q. WHAT IS YOUR POSITION FOR WALTER J. CARROLL WATER COMPANY?

A. I the operations manager of the company.

**Q. HOW LONG HAVE YOU HELD THAT POSITION FOR WALTER J. CARROLL WATER COMPANY?**

A. Since about 1996.

**Q. WHAT IS THE NATURE OF THE SERVICES YOU PROVIDED BY WALTER J. CARROLL WATER COMPANY?**

A. Since at least 1996 when I joined the company, Walter J. Carroll Water Company has operated, managed and maintained public water systems in the Ellis County area.

**Q. WILL YOU PLEASE BRIEFLY DESCRIBE YOUR ROLE AS OPERATIONS MANAGER FOR WALTER J. CARROLL WATER COMPANY?**

A. Yes. I am responsible for the maintenance, operations and repair of six wells that service the water systems owned, operated, managed and maintained by the company. These facilities are located in Ellis County. The facilities service about 463 connections and about 1,500 customers. My duties include all water system maintenance, meter readings, sample collections for reporting to the Texas Commission on Environmental Quality or other agencies, backhoe operations as needed, repair work, and other work items that may be needed at the systems. I also work with or interface with the regional manager of the TCEQ, and I sometimes work with TCEQ representatives located in Austin, Texas when needed.

**Q. WILL YOU PLEASE DESCRIBE THE WATER SYSTEMS THAT ARE MANAGED BY WALTER J. CARROLL WATER COMPANY IN ELLIS COUNTY, TEXAS?**

A. Yes. As part of my work duties for Walter J. Carroll Water Company, I currently manage and operate four public water systems in Ellis County, Texas. They are:

- Water System No. TX0700058, Water System Name: Emerald Forest, which operates in Ellis County, Texas and serves a population of approximately 162. There are about 50 connections to this system. The system is serviced by a six-inch water well that produces about 40 gallons of water per minute and has provided continuous and adequate water utility service to its service areas since at least 1996.

- Water System No. TX0700063, Water System Name: Grande Casa, which operates in Ellis County, Texas and serves a population of about 471. There are about 150 connections to this system. This system is serviced by a water well that produces about 140 gallons of water per minute and has provided continuous and adequate water utility service to its service areas since at least 1996.
- Water System No. TX0700057, Water System Name: Lakeview Ranchettes, which operates in Ellis County, Texas and serves a population of about 306. There are about 118 connections to this system. This system is serviced by two water wells that each produce about 58 gallons of water per minute. This system has provided continuous and adequate water utility service to its service areas since at least 1996. When this system needed an increase in production, I was involved in the construction of an additional well and ground storage for this system. I also installed the electrical work, distribution piping and fire hydrants.
- Water System No. TX0700064, Water System Name: Spanish Grant Subdivision, which operates in Ellis County, Texas and serves a population of about 402. There are about 130 or so connections to this system. This system is serviced by two water wells; one produces about 48 gallons of water per minute, and the other produces about 85 gallons of water per minute. This system has provided continuous and adequate water utility service to its service areas since at least 1996.

**Q. ARE THE FOUR SYSTEMS THAT YOU'VE DESCRIBED SIMILAR TO THE WATER SYSTEM AND FACILITIES THAT ARE KNOWN AS THE "COMMUNITY WATER SERVICE, INC.-RED OAK" SYSTEM OWNED BY COMMUNITY WATER SERVICE, INC. IN ELLIS COUNTY?**

A. Yes.

**Q. HOW DID YOU COME TO THIS CONCLUSION?**

A. I have inspected the Facilities owned by Community Water Service in Ellis County, and I have compared them to the various systems owned and operated by Walter J. Carroll Water Company. The equipment, mechanics and production systems of the systems are very similar,

and I understand how those systems work and how they must work to remain in compliance with applicable regulations.

**Q. WHAT IS MR. WALTER J. CARROLL'S ROLE IN THE PUBLIC WATER SYSTEMS SERVICES PROVIDED BY WALTER J. CARROLL WATER COMPANY?**

A. Mr. Carroll is involved in essentially all operational and management activities of the public water systems contained by Walter J. Carroll Water Company. He has been involved in this way since I began working for the company in 1996.

**Q. WHAT OTHER EXPERIENCE DO YOU HAVE IN THE AREA OF PUBLIC UTILITIES?**

A. Since at least 1996, I have worked in Texas in the field of public water systems operations. Through my work experience for Walter J. Carroll Water Company, I have become and I am familiar with the regulatory requirements of the Texas Commission on Environmental Quality insofar as water systems operations is concerned. I also have experience in addressing deficiencies in water systems production and operations and in repairing and otherwise bringing non-compliant areas into compliance with the applicable regulations and production needs.

**Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

A. I graduated from DeSoto High School in DeSoto, Texas in 1988. Otherwise, most of my education is through my work experience.

**Q. WHAT PROFESSIONAL TRAINING OR CERTIFICATIONS DO YOU POSSESS?**

A. I earned and currently possess a Class C Ground Water Treatment Operator License issued by the Texas Commission on Environmental Quality. My license number is WG 0008722.

**Q. I SHOW YOU WHAT'S BEEN MARKED AS EXHIBIT A-18. DO YOU KNOW WHAT THIS EXHIBIT IS?**

A. Yes, it is a copy of my Class C Ground Water Treatment Operator License issued by the TCEQ.

[APPLICANT OFFERS APPLICANTS' EXHIBIT A-18]

**Q. DO YOU HAVE A RESUME THAT SUMMARIZES YOUR EDUCATION BACKGROUND AND WORK THAT YOU HAVE DESCRIBED?**

A. Yes. I have a resume which summarizes these items.

**Q. I SHOW YOU WHAT'S BEEN MARKED AS EXHIBIT A-8. IS THIS A TRUE AND CORRECT COPY OF YOUR RESUME?**

A. Yes.

**Q. DID YOU PREPARE THIS RESUME?**

A. Yes, with the assistance of Patty Hilton. She is the business administrator of Walter J. Carroll Water Company. I have reviewed the resume and the information in it is accurate.

[APPLICANT OFFERS APPLICANTS' EXHIBIT A-8]

**Q. HAS ANY PUBLIC UTILITY LICENSE, CERTIFICATE OR PERMIT EVER BEEN REVOKED OR DENIED AS A RESULT OF ANY CONDUCT ON YOUR PART IN THE OPERATION OR MANAGEMENT OF A PUBLIC UTILITY?**

A. No, not that I know of.

**II. PURPOSE AND SCOPE OF TESTIMONY**

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

A. The purpose of this testimony is to present information about Walter J. Carroll Water Company's ability to operate and manage a particular retail public utility system (the "Facilities") located at or near 105 Dana Street in Red Oak, Texas. That's in Ellis County. The Facilities I am testifying about are those that are the subject of this proceeding.

**Q. WHAT IS THE SCOPE OF YOUR TESTIMONY?**

A. The scope of my testimony is primarily as operations manager of Walter J. Carroll Water Services Company and as to the technical and operational capabilities of the Facilities in question, based on the needs or demands of the service area. My testimony is based on my 20 years in the business of operating public water systems in Ellis County, Texas and as operations manager of Walter J. Carroll Water Company.

**III. BACKGROUND OF APPLICATION AND DESCRIPTION OF FACILITIES**

**Q. WHAT CAN YOU TELL ME ABOUT A COMPANY CALLED COMMUNITY WATER SERVICE, INC.?**

A. Community Water Services, Inc. is the current owner and operator of the Facilities. Those Facilities are known as the "Community Water Service, Inc. - Red Oak" or "Red Oak Community" systems. Bonnie Frame is the president of Community Water Service, Inc. I am also acquainted with Community Water Service's operations manager, Ramero Marquez, and I have inspected the Facilities in question.

**Q. IN ABOUT AUGUST OF 2013, WAS WALTER J. CARROLL WATER COMPANY RESPONSIBLE FOR THE REPAIR OF THE WELL AND FACILITIES THAT SERVICES THE COMMUNITY RED OAK FACILITY?**

A. Yes.

**Q. HOW WERE YOU INVOLVED IN THAT PROJECT?**

A. The work was performed primarily by Pollock Well Services out of Granbury, Texas, but Walter J. Carroll Water Company was responsible for the work. I was responsible to oversee the work, and in that role, I made various inspections of the work in progress.

**Q. ARE YOU AWARE OF ANY OPERATIONAL PROBLEMS ASSOCIATED WITH THE FACILITIES AFTER THE REPAIRS TO THE WELL WERE COMPLETE?**

A. No.

**Q. ARE YOU AWARE OF ANY PRODUCTION PROBLEMS ASSOCIATED WITH THE FACILITIES AFTER THE REPAIRS WERE COMPLETE?**

A. No.

**Q. TO YOUR KNOWLEDGE, AFTER WALTER J. CARROLL WATER COMPANY COMPLETED THE REPAIRS TO THE FACILITIES, DID THE FACILITIES PROVIDE CONTINUOUS AND ADEQUATE WATER SERVICE TO THE AREA SERVED BY THE FACILITIES?**

A. To my knowledge, yes. I am aware of no operational, production or service issues that arose after my company repaired the Facilities as part of the Agreement with Community Water Services.

**Q. WHO IS CHARLIE P. GILLESPIE, JR., P.E.?**

A. Mr. Gillespie is an engineer with the firm Consulting Environmental Engineers, Inc. out of Stephenville, Texas.

**Q. AFTER WALTER J. CARROLL WATER COMPANY REPAIRED THE WELL AT THE FACILITIES, DID MR. GILLESPIE AND HIS FIRM WORK WITH WALTER J. CARROLL WATER COMPANY TO COMPLETE AN APPLICATION FOR SALE, TRANSFER, OR MERGER OF A CERTAIN RETAIL PUBLIC UTILITY IN RELATION TO THE FACILITIES?**

A. Yes, that is my understanding.

**Q. ARE THERE ANY DOCUMENTS THAT DESCRIBE THE AREA SERVICED BY THE FACILITIES IN QUESTION?**

A. Yes. There is a map that illustrates the location of the production, transmission and distribution facilities for the Facilities in question was filed in support of the Application.

**Q. I SHOW YOU WHAT HAS BEEN MARKED AS EXHIBIT A-14. DOES THIS APPEAR TO BE A TRUE AND CORRECT COPY OF MAP THAT ILLUSTRATES THE LOCATION OF PRODUCTION, TRANSMISSION AND DISTRIBUTION FACILITIES FOR THE FACILITIES IN QUESTION?**

A. Yes.

[APPLICANT OFFERS APPLICANT'S EXHIBIT A-14 – Map of Facilities]

**Q. DOES EXHIBIT A-14 ADEQUATELY ILLUSTRATE THE LOCATION OF PRODUCTION, TRANSMISSION AND DISTRIBUTION FACILITIES FOR THE FACILITIES IN QUESTION?**

A. Yes.

**IV. OPERATIONS AND MANAGEMENT OF THE FACILITIES**

**Q. IS THE WALTER J. CARROLL WATER COMPANY PREPARED, OPERATIONALLY, TO ACCEPT OWNERSHIP AND RESPONSIBILITY FOR THE FACILITIES IF APPROVED BY THE APPLICABLE AGENCY?**

A. Yes. Walter J. Carroll Water Company has extensive experience in the management and operation of public utility facilities such as the Facilities in question. Based on my 20 years in the water systems business, I understand the operational commitment necessary to ensure consumers in the certified area receive continuous and adequate service. Based on my experience, and based on my understanding and review of the Facilities, Walter J. Carroll Water Company is more than prepared to maintain the Facilities in good operating condition.

**Q. IS THE WALTER J. CARROLL WATER COMPANY PREPARED, FROM A MANAGEMENT PERSPECTIVE, TO ACCEPT OWNERSHIP AND RESPONSIBILITY FOR THE FACILITIES?**

A. Yes. Walter J. Carroll Water Company has extensive experience in the management and operation of public utility facilities such as the Facilities in question. Based on my 20 years of experience with water systems in Ellis County, Texas, I understand the managerial commitment necessary to ensure consumers in the certified area receive continuous and adequate service. Based on my experience, and based on my understanding of the Facilities, Walter J. Carroll Water Company and our team are more than prepared to manage the Facilities according to the applicable regulations.

**Q. IN FORMING THIS TESTIMONY, DID YOU CONSIDER THE ADEQUACY OF SERVICE CURRENTLY PROVIDED TO THE CERTIFICATED AREA?**

A. Yes.

**Q. PLEASE EXPLAIN WHAT YOU CONSIDERED?**

A. In my discussions with Mr. Carroll and Mr. Marquez of Community Water Services, I asked whether there have been any requests for additional services or complaints or concerns from consumers in the certified area. I also asked whether there were any known requests for additional services from anyone interested owning land in the area. I also asked about the adequacy of the service currently provided to the certificated area.

**Q. WHAT DID YOU CONCLUDE ON THIS ISSUE OF THE ADEQUACY OF CURRENT SERVICE?**

**A.** Based on the information provided to me, and based on my investigation of the Facilities, I am aware of no complaints or concerns in regard to this area. Based on my review, the well that services the Facilities produces about 140 gallons of water per minute. There are about 110 active connections to the Facilities and about 450 consumers allocated to the Facilities. The water production from the well that services the Facilities is more than enough needed to maintain continuous and adequate water service to the certified area.

**Q. DID YOU CONSIDER THE EXPERIENCE AND TRACK RECORD OF THE WALTER J. CARROLL WATER COMPANY?**

**A.** Yes.

**Q. HOW DOES THE EXPERIENCE AND TRACK RECORD OF THE WALTER J. CARROLL WATER COMPANY SUPPORT THE APPLICATION?**

**A.** Walter J. Carroll Water Company has been in operation since at least 1996 when I joined the company. We currently manage four Texas public water systems in Ellis County. I have been a license-holding water treatment operator since about 2007. My experience and the commitment of the Walter J. Carroll Water Company provide strong support that the transfer of the Facilities in question will serve the public interest and will result in the continued provision of continuous and adequate water service to the certificated area.

**Q. DID YOU CONSIDER THE EFFECT THAT THE APPROVAL OF THE APPLICATION MAY HAVE ON ANY UTILITY OR WATER SUPPLY OR SEWER SERVICE IN THE CERTIFICATED AREA?**

**A.** Yes.

**Q. HOW MIGHT THE APPROVAL OF THE APPLICATION EFFECT ANY UTILITY OR WATER SUPPLY OR SEWER SERVICE IN THE CERTIFICATED AREA?**

**A.** It shouldn't have any adverse effect. Through my review of the Facilities, I discovered nothing that indicates the continued operation of the Facilities will have an adverse effect on any other utility or water supply or sewer service. It is my understanding that the City of Red Oak

provides sewer service to consumers in the certified area, but I am aware of no past or present problems associated with the water service provided by the Facilities and the sewer service provided by the Facilities.

**Q. DID YOU CONSIDER THE EFFECT THAT THE APPROVAL OF THE APPLICATION MAY HAVE ON ANY RETAIL PUBLIC UTILITY OF THE SAME KIND ALREADY SERVING THE PROXIMATE AREA?**

A. Yes.

**Q. HOW MIGHT THE APPROVAL OF THE APPLICATION HAVE AN EFFECT ON ANY RETAIL PUBLIC UTILITY OF THE SAME KIND ALREADY SERVING THE PROXIMATE AREA?**

A. It shouldn't have any adverse effect. To my knowledge, there are no adjacent retail public utilities that would or could service the certified area, or that could prove the type of service that my company anticipates providing upon approval of the transfer.

**Q. IN FORMING YOUR TESTIMONY IN THIS MATTER, DID YOU CONSIDER THE ABILITY OF WALTER J. CARROLL COMPANY TO PROVIDE ADEQUATE SERVICE, INCLUDING MEETING THE STANDARDS OF THE UTILITY COMMISSION, TAKING INTO CONSIDERATION THE CURRENT AND PROJECTED DENSITY AND LAND USE OF THE AREA?**

A. Yes.

**Q. PLEASE EXPLAIN WHAT YOU CONSIDERED IN THIS REGARD?**

A. I considered the experience of Walter J. Carroll Water Company, having been in operation since at least 1996 when I joined the company. Walter J. Carroll Water Company manages four Texas public water systems in Ellis County, and I am very familiar with those systems as I am responsible for their operations. The Facilities in question are very similar to those four systems. The well that services the Facilities produces about 140 gallons of water per minute. There are about 110 active connections to the Facilities and about 450 consumers allocated to the Facilities. These Facilities serve a population similar to the other systems that I manage and operate for Walter J. Carroll Water Company. Through my work experience for Walter J. Carroll Water Company, I have become and I am familiar with the regulatory

requirements insofar as water systems operations is concerned. I also have experience in addressing deficiencies in water systems production and operations and in repairing and otherwise bringing non-compliant areas into compliance with the applicable regulations and production needs. In my review, I found nothing to indicate the Facilities will not be capable of continuing to provide adequate and continuous service to the certified area under the operation of Walter J. Carroll Water Company and should continue to meet the standards of the Utility Commission and the TCEQ.

**V. DEFICIENCY CONSIDERATIONS**

**Q. ARE YOU AWARE OF ANY DEFICIENCIES OR PROBLEMS THAT NEED CORRECTION TO BE IN COMPLIANCE WITH THE RULES OF THE UTILITY COMMISSION AND THE TCEQ?**

A. No. Based on my review of the Facilities, and based on my involvement, the Facilities apparently provides continuous and adequate water to the certified area and, by all accounts, is fully capable of continuing to provide such service.

**Q. HAS WALTER J. CARROLL WATER COMPANY EVER FAILED TO COMPLY WITH ANY ORDERS OF THE TCEQ?**

A. Not that I am aware of. The company was involved in a TCEQ-compliance matter back in 2001 or 2003, but, to my knowledge, all orders or requests from the TCEQ were honored.

**Q. HAS WALTER J. CARROLL WATER COMPANY EVER FAILED TO COMPLY WITH ANY ORDERS OF THE PUBLIC UTILITY COMMISSION?**

A. Not that I am aware of.

**Q. HAS WALTER J. CARROLL WATER COMPANY EVER FAILED TO COMPLY WITH ANY ORDERS OF ANY AGENCY?**

A. Not that I am aware of. To my knowledge, the company has honored and complied with all orders or requests from the regulatory agencies that oversee these Facilities.

**VI. RECOMMENDATIONS AND CONCLUSION**

**Q. WILL YOU PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS IN THIS PROCEEDING?**

A. Yes. Based upon my 20 years of experience in the field of public water systems in Ellis County, Texas, and based upon my review of the Facilities and the other information I mention in this testimony, the Walter J. Carroll Water Company is prepared from an operational and management perspective to take over ownership and operations of the Facilities. Walter J. Carroll Water Company is capable of all applicable technical and operational responsibilities relating to the Facilities.

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY AT THIS TIME?**

A. Yes.

SOAH Docket No. 473-15-2274  
PUC Docket No. 43175

APPLICATION OF COMMUNITY §  
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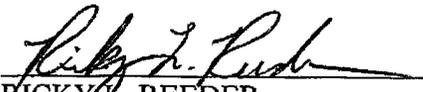
APPLICATION NO. 37981-S

AFFIDAVIT

STATE OF TEXAS §  
§  
COUNTY OF ELLIS §

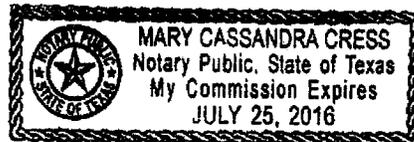
RICKY L. REEDER, upon first being duly sworn according to law, under oath deposes and states: That I have read the foregoing Direct Testimony and referenced Exhibits and they are true and accurate representations of what the testimony would be if the testimony were to be given orally at the time the written testimony is offered into evidence.

SIGNED this the 7 day of May, 2015.

  
RICKY L. REEDER

SUBSCRIBED AND SWORN to before me this the 7 day of May, 2015.

  
NOTARY PUBLIC, STATE OF TEXAS



APPLICATION OF COMMUNITY §  
WATER SERVICE, INC. and § BEFORE THE STATE OFFICE  
WALTER J. CARROLL CO., INC. § OF  
INVESTORS, LP, FOR SALE, TRANSFER, §  
OR MERGER OF FACILITIES AND § ADMINISTRATIVE HEARINGS  
CERTIFICATE RIGHTS IN ELLIS COUNTY §

APPLICATION NO. 37981-S

PRE-FILED DIRECT TESTIMONY OF  
CHARLES P. GILLESPIE, JR., P.E.

IN SUPPORT OF

APPLICANTS,  
COMMUNITY WATER SERVICE, INC.  
and

WALTER J. CARROLL CO., INC.'S

IN SUPPORT OF

APPLICATION FOR SALE, TRANSFER OR MERGER OF FACILITIES AND  
CERTIFICATE RIGHTS IN ELLIS COUNTY, TEXAS

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I. STATEMENT OF QUALIFICATIONS

Q. WHAT IS YOUR NAME AND ADDRESS?

A. My name is Charles P. Gillespie, Jr. My business address is 150 N. Harbin Dr., Suite 408, Stephenville, Texas 76401.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am employed by Consulting Environmental Engineers, Inc.

Q. WHAT IS YOUR POSITION WITH CONSULTING ENVIRONMENTAL ENGINEERS?

A. I am the President of Consulting Environmental Engineers, Inc. I serve my firm as a licensed professional engineer in Texas.

**Q. HOW LONG HAVE YOU BEEN A PRINCIPAL WITH CONSULTING ENVIRONMENTAL ENGINEERS?**

A. Since the company began in about 1994.

**Q. WHAT IS THE NATURE OF THE SERVICES PROVIDED BY YOUR FIRM?**

A. My firm offers services in engineering, operational and management consulting, principally in the areas of public utility facilities, waste water treatment facilities, public water systems, driveway permitting, and tariff and rate increase applications. My firm serves as liaison between owners or operators of public utility facilities and governmental agencies for permitting issues or applications, regulatory compliance reviews, and related matters.

**Q. ARE YOU INVOLVED IN ALL AREAS OF THE PROFESSIONAL ENGINEERING SERVICES PROVIDED BY YOUR FIRM AND IDENTIFIED BY YOU IN THE PREVIOUS QUESTION?**

A. Basically, yes. In my professional work I am regularly and substantially involved in the design, operation and permitting of public utility systems and public water facilities, and I have worked with such permitting and engineering matters for my firm since about June 1994 and through the present.

**Q. WHAT IS YOUR EXPERIENCE IN THE AREA OF PUBLIC UTILITIES?**

A. I have drafted, assembled, analyzed and facilitated applications for public utility permits. I also provide professional engineer consulting services to companies in regard to the operation of public utility facilities. Through my experience, I assist companies holding public utility rights to understand compliance regulations and to bring public systems into compliance with applicable state and local regulatory authorities. My consulting experience includes operations reviews, design and implementation of procedures and product-line analysis for public utility

facilities. My work includes capital budgeting, investment analysis, financial modeling and planning for public utility operations and management.

**Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY IN RELATION TO ANY WATER FACILITY?**

**A. Yes.**

**Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITY COMMISSION IN RELATION TO ANY PUBLIC UTILITY FACILITY?**

**A. Yes.** I have testified in support of applications or matters involving public utility facilities and wastewater treatment facilities. I have testified on two tariff increase hearings and supported clients on four cases resolved by alternative dispute resolution.

**Q. WHAT OTHER PROFESSIONAL ENGINEERING EXPERIENCE DO YOU POSSESS?**

**A.** I have been involved in the design and approval of approximately 200 wastewater treatment permits in Texas and an estimated 300 public utility projects. I routinely work on the permitting, design and operation of public utility facilities, including public utility facilities and operations similar to the facilities (the "Facilities") forming the basis of Community Water Service, Inc. and the Walter J. Carroll Water Company, Inc.'s Application for Sale, Transfer or Merger of a Retail Public Utility (the "Application"), which is the subject of this proceeding. My professional engineering experience includes: environmental site assessments of facilities ranging from chemical handling facilities and abandoned service stations to ranch and dairy properties. I have worked on design and management of lead abatement, repair, and repaint projects on municipal water storage tanks. I have been professionally involved in permitting and designing of management systems for the land application and beneficial use of wastewater

sludge and water treatment sludge. I also have experience in the design of public water systems, including surface and groundwater sources.

**Q. I SHOW YOU WHAT HAS BEEN MARKED AS EXHIBIT A-1. DO YOU RECOGNIZE THIS DOCUMENT?**

A. Yes.

**Q. DOES THIS APPEAR TO BE A TRUE AND CORRECT COPY OF THE APPLICATION THAT IS THE SUBJECT OF THIS PROCEEDING?**

A. Yes.

[APPLICANT OFFERS APPLICANT'S EXHIBIT A-1 – Application (the “Application”)]

**Q. DID YOUR FIRM ASSIST COMMUNITY WATER SERVICE AND WALTER J. CARROLL WATER COMPANY IN PREPARING THE APPLICATION?**

A. Yes. My firm provided professional engineering services in regard to the preparation of the Application.

**Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

A. I earned and currently hold a Bachelor's of Science degrees in Mechanical Engineering from the University of Houston, a Master's Degree in Business Administration from Southern Methodist University, and a Master's Degree in Science in Hazardous and Waste Materials Management from Southern Methodist University.

**Q. WHAT PROFESSIONAL TRAINING OR CERTIFICATIONS DO YOU POSSESS?**

A. I completed Texas Commission on Environmental Quality (“TCEQ”) Training in the following areas: Air Permitting, Asbestos Abatement, Wastewater Permitting, On-Site Sewage Facility, and Tariff & Utilities Administration. I am a Registered Professional Engineer in the

State of Texas. I am a member of the National society of Professional Engineers as well as the Texas Board of Professional Engineers. I am a Registered LPST Corrective Action Project Manager as well.

**Q. DO YOU HAVE A RESUME VITAE THAT SUMMARIZES YOUR EDUCATION BACKGROUND, PROFESSIONAL EXPERIENCE AND TRAINING THAT YOU HAVE DESCRIBED?**

A. Yes.

**Q. I SHOW YOU WHAT'S BEEN MARKED AS APPLICANTS' EXHIBIT A-9. DO YOU RECOGNIZE THIS DOCUMENT?**

A. Yes.

**Q. IS THIS A TRUE AND CORRECT COPY OF YOUR RESUME?**

A. Yes.

**Q. DID YOU PREPARE THIS RESUME?**

A. Yes.

[APPLICANT OFFERS APPLICANTS' EXHIBIT A-9]

**Q. DOES THIS RESUMEE FAIRLY SUMMARIZE YOUR EDUCATION BACKGROUND, PROFESSIONAL EXPERIENCE AND TRAINING THAT YOU HAVE DESCRIBED?**

A. Yes.

**Q. HAVE YOU WORKED AS A PROFESSIONAL ENGINEER ON ANY APPLICATIONS, IN TEXAS, FOR TRANSFER, SALE OR MERGER OF PUBLIC UTILITY FACILITIES SUCH AS THE APPLICATION FORMING THE BASIS OF THIS PROCEEDING?**

A. Yes.

**Q. HAVE YOU WORKED AS A PROFESSIONAL ENGINEER ON ANY APPLICATIONS FOR TRANSFER, SALE OR MERGER OF PUBLIC UTILITY FACILITIES THAT INVOLVED MERGING CERTIFICATED AREAS WITH AN EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY SUCH AS THAT FORMING THE BASIS OF THE PENDING APPLICATION?**

A. Yes.

**Q. WILL YOU PLEASE BRIEFLY DESCRIBE YOUR EXPERIENCES IN THIS REGARD?**

A. Yes. I have been responsible for or professionally involved with obtaining regulatory approval for two applications for transfer or sale of public utility facilities, and have been professionally involved in the approval of two transfers of certificates of convenience and necessity. In addition, I have been directly involved in hundreds of TCEQ permit applications for wastewater, water rights, and CCN certification.

**Q. HAVE YOU WORKED AS A PROFESSIONAL ENGINEER ON ANY NON-CCN PROJECTS RELATED TO PUBLIC WATER SYSTEMS IN TEXAS?**

A. Yes. I have managed or assisted with numerous water systems, some that were private and some that were retail public.

**Q. HOW MANY TEXAS PUBLIC WATER SYSTEMS PROJECTS HAVE YOU PERSONALLY WORKED ON AS A PROFESSIONAL ENGINEER?**

A. I have worked on over 300 public water systems projects as a professional engineer.

**Q. TO YOUR KNOWLEDGE, HAS ANY APPLICATION FOR A PUBLIC UTILITY CERTIFICATE OF CONVENIENCE AND NECESSITY IN WHICH YOU'VE BEEN**

**PROFESSIONALLY INVOLVED AS AN ENGINEER EVER BEEN DENIED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (TCEQ) OR THE PUBLIC UTILITY COMMISSION?**

**A.** To my knowledge no such application has ever been denied by the TCEQ or the PUC.

**II. PURPOSE AND SCOPE OF TESTIMONY**

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

**A.** The purpose of this testimony is to present and offer engineering or technical information and opinion about the Applicants' Application for a transfer of ownership of a particular retail public utility system (the "Facilities") located at or near 105 Dana Street in Red Oak, Ellis County, Texas. The Facilities I am testifying about are those that are the subject of this proceeding and as described in the Application. Through this testimony, I provide opinion about Walter J. Carroll Water Company's ability to continue to provide continuous and adequate utility service to the area serviced by and through those Facilities and how those services should serve the public interest according to the applicable regulations.

**Q. WHAT IS THE SCOPE OF YOUR TESTIMONY?**

**A.** The scope of my testimony is primarily as a professional engineer in regard to public utility facilities and as to the technical and operational capabilities of the Facilities in question, based on the needs or demands of the certificated service area and other factors discussed in this testimony.

**Q. ARE ALL OF THE OPINIONS YOU ARE OFFERING IN CONNECTION WITH YOUR TESTIMONY IN THIS PROCEEDING BASED ON A REASONABLE DEGREE OF SCIENTIFIC CERTAINTY?**

**A.** Yes, and my opinions are based upon my review of the information described as well as the Facilities in question.

**III. BASIS FOR TESTIMONY AND OPINIONS**

**Q. BRIEFLY, WHAT CAN YOU TELL ME ABOUT A COMPANY CALLED COMMUNITY WATER SERVICES, INC.?**

A. Community Water Services, Inc. is the current owner and operator of the Facilities in question. Community Water Services also holds a certificate of convenience and necessity (the "CCN") for the operation of the Facilities in Ellis County, Texas that Walter J. Carroll Water Company seeks to acquire through the Application filed originally with the TCEQ and which is now the subject of this proceeding. Bonnie Frame is the president of Community Water Services, Inc.

**Q. BRIEFLY, WHAT CAN YOU TELL ME ABOUT A COMPANY CALLED WALTER J. CARROLL WATER COMPANY?**

A. Walter J. Carroll Water Company is the current owner and operator of four retail public water systems in Ellis County, Texas. Walter J. Carroll Water Company holds a certificate of convenience and necessity for the operation of those four systems or facilities. Walter J. Carroll Water Company seeks to merge the Facilities owned by Community Water Service in Ellis County, Texas with Walter J. Carroll Water Company's current certificate of convenience and necessity. Walter J. Carroll is the president of Walter J. Carroll Water Company.

**Q. FROM A "BIG PICTURE" STANDPOINT, MR. GILLESPIE, HOW DID YOU APPROACH YOUR ASSIGNMENT ON THIS PROJECT?**

A. My and my firm's general approach to this project has been to review the relevant documentation and other information provided by Community Water Service and Walter J. Carroll Water Company associated with the project and the Facilities in question. The information included customer information and historical information about the services from

this Facility and the certified area served. I visited the site of the Facilities, and I had various conferences with representatives of the parties. I reviewed records on file with the TCEQ relating to the historical performances and water systems operations of Community Water Service and Walter J. Carroll Water Company. I also researched and reviewed the relevant regulations of the TCEQ and the Public Utility Commission associated with transfers of certificates of convenience and necessity and of the Facilities in issue. I provided or oversaw professional engineering assistance for the preparation and filing of the Application. And, I assisted in the preparation of and reviewed this pre-filed testimony.

**Q. ARE YOU FAMILIAR WITH THE REGULATIONS CONTAINED IN THE TEXAS WATER CODE AND THE TEXAS ADMINISTRATIVE CODE GOVERNING THE SALE OR TRANSFER OF PUBLIC WATER FACILITIES AND ASSOCIATED CCN?**

A. Yes.

**Q. HOW HAVE YOU BECOME FAMILIAR WITH SUCH THINGS?**

A. My educational background in engineering, coupled with attendance at public utility courses, has aided me in my understanding of these regulations. My understanding of regulations, procedures, and requirements associated public utilities in Texas began when I entered the engineering field some 30 years ago. This knowledge and experience has enabled me to learn and understand water utility permitting and certification processes, as well as the regulations related to public utility operations and management.

**Q. IN FORMING YOUR TESTIMONY, DID YOU REVIEW ANY OF THESE REGULATIONS?**

A. Yes.

**Q. IN FORMING YOUR TESTIMONY, DID YOU REVIEW THE PRE-FILED TESTIOMNY OF WALTER J. CARROLL THAT WAS PREPARED FOR THIS PROCEEDING?**

**A. Yes.**

**Q. IN FORMING YOUR TESTIMONY, DID YOU REVIEW THE PRE-FILED TESTIOMNY OF BONNIE FRAME THAT WAS PREPARED FOR THIS PROCEEDING?**

**A. Yes.**

**Q. IN FORMING YOUR TESTIMONY, DID YOU REVIEW THE PRE-FILED TESTIOMNY OF RICKY L. REEDER THAT WAS PREPARED FOR THIS PROCEEDING?**

**A. Yes.**

**Q. IN FORMING YOUR TESTIMONY, DID YOU REVIEW THE ORDERS AND OTHER INSTRUMENTS THAT WERE FILED IN THIS SOAH PROCEEDING?**

**A. Yes.**

**Q. I SHOW YOU WHAT'S BEEN MARKED AS APPLICANTS' EXHIBIT A-10. DO YOU RECOGNIZE THIS DOCUMENT?**

**A. Yes.**

**Q. WOULD THIS EXHIBIT A-10 ASSIST THIS ADMINISTRATIVE JUDGE UNDERSTAND THE INFORMATION AND MATERIALS YOU REVIEWED IN PREPARING YOUR TESTIMONY HERE?**

**A. Yes.**

**[APPLICANT OFFERS APPLICANTS' EXHIBIT A-10]**

**Q. DOES THIS LIST OF INFORMATION FAIRLY SUMMARIZE THE MATERIALS YOU REVIEWED IN PREPARING YOUR TESTIMONY?**

**A. Yes.**

**Q. IN FORMING YOUR TESTIMONY, AND BASED UPON YOUR EXPERIENCE, TRAINING AND EDUCATION, ARE THE MATERIALS LISTED IN EXHIBIT A-10 THE TYPE OF INFORMATION COMMONLY RELIED UPON BY A REASONABLY PRUDENT ENGINEER IN RELATION TO OFFERING OPINION ABOUT AN APPLICATION SUCH AS THE APPLICATION BEFORE THIS COURT?**

**A. Yes.** Based on my experience, training and education, the materials and information listed in that Exhibit are the types of information commonly reviewed by engineers in assessing a particular public utility facility or certificate of convenience and necessity as well as in analyzing the applicable regulatory schemes as applied to the particular facility.

**Q. ARE YOU FAMILIAR WITH TEXAS WATER CODE SECTION 13.251, WHICH IS LISTED AS AN ITEM YOU REVIEWED IN THIS MATTER?**

**A. Yes,** I am familiar with Texas Water Code section 13.251.

**Q. WILL YOU BRIEFLY EXPLAIN HOW TEXAS WATER CODE SECTION 13.251 IS APPLIED BY YOU IN YOUR PROFESSIONAL SERVICES?**

**A. Yes.** Section 13.251 of the Texas Water Code provides that the Public Utility Commission may not sell or assign a certificate of public convenience and necessity unless the Utility Commission has determined that the purchaser or assignee is capable of rendering adequate and continuous service to every consumer within the certified area. Section 13.251 also refers to Texas Water Code section 13.246(c) which contains a list of factors that the Utility Commission should consider when deciding whether to grant a sale or assignment of a certificate

of public convenience and necessity under section 13.251. I commonly consider and apply the requirements of Water Code section 13.251 as well as the factors listed in section 13.246(c) in the provision of my professional engineering services relating to retail public utility facilities and certificates of public convenience and necessity.

**Q. PLEASE BRIEFLY DESCRIBE THE PURPOSE OF THE FACTORS CONTAINED IN TEXAS WATER CODE SECTION 13.246(c) AS APPLIED OR USED BY YOU TO PROVIDE PROFESSIONAL ENGINEERING SERVICES AND TESTIMONY IN A PROJECT SUCH AS IS THE BASIS OF THIS PROCEEDING?**

A. The factors listed in section 13.246(c) are to be considered in determining whether the Utility Commission should grant a particular certificate of convenience and necessity in relation to a public utility. The factors are:

- (1) the adequacy of service currently provided to the requested area;
- (2) the need for additional service in the requested area, including whether any landowners, prospective landowners, tenants, or residents have requested service;
- (3) the effect of the granting of a certificate or of an amendment on the recipient of the certificate or amendment, on the landowners in the area, and on any retail public utility of the same kind already serving the proximate area;
- (4) the ability of the applicant to provide adequate service, including meeting the standards of the commission, taking into consideration the current and projected density and land use of the area;
- (5) the feasibility of obtaining service from an adjacent retail public utility;

(6) the financial ability of the applicant to pay for the facilities necessary to provide continuous and adequate service and the financial stability of the applicant, including, if applicable, the adequacy of the applicant's debt-equity ratio;

(7) environmental integrity;

(8) the probable improvement of service or lowering of cost to consumers in that area resulting from the granting of the certificate or amendment; and

(9) the effect on the land to be included in the certificated area.

In performing my professional engineering services, I consider and apply these factors in forming my consultant advice and direction and in regard to opinions formed as to whether a particular certificate of public convenience and necessity may be approved by the Utility Commission or other regulatory body.

**Q. AS PART OF YOUR PROFESSIONAL SERVICES AND EXPERIENCES, ARE YOU FAMILIAR WITH TITLE 16, PART 2, CHAPTER 24, SUBCHAPTER G, RULE § 24.109(b) OF THE TEXAS ADMINISTRATIVE CODE?**

**A. Yes.**

**Q. PLEASE BRIEFLY DESCRIBE THE PURPOSE OF YOUR USE OF TITLE 16, PART 2, CHAPTER 24, SUBCHAPTER G, RULE § 24.109(b) OF THE TEXAS ADMINISTRATIVE CODE IN RELATION TO THE PROVISION OF PROFESSIONAL ENGINEERING SERVICES AND TESTIMONY IN A PROJECT SUCH AS IS THE BASIS OF THIS PROCEEDING?**

**A. I commonly consider that portion of the Texas Administrative Code in professional reviews relating to the acquisition of a water system and whether the acquiring party may demonstrate adequate financial, managerial, and technical capability for providing continuous**

and adequate service to the requested area or for any other areas currently certificated to the person.

**Q. IN FORMING YOUR TESTIMONY, DID YOU CONSIDER TITLE 16, PART 2, CHAPTER 24, SUBCHAPTER G, RULE § 24.109(b) OF THE TEXAS ADMINISTRATIVE CODE AS APPLIED TO THE PENDING APPLICATION AND FACILITIES IN QUESTION?**

A. Yes.

**Q. DID YOU MEET WITH ANY OF THE PRINCIPALS OF THE APPLICANTS?**

A. Yes. In preparing the Application, I had multiple conferences with Mr. Walter J. Carroll, President of the Walter J. Carroll Water Co., Inc., I requested and obtained information from Ms. Bonnie Frame, President of Community Water Services, Inc.

**Q. DID YOU INSPECT THE FACILITIES IN QUESTION?**

A. Yes.

**Q. WHAT OTHER INVESTIGATION DID YOU PERFORM IN PREPARING YOUR TESTIMONY?**

A. I also reviewed the Texas Commission on Environmental Quality and Public Utility Commission compliance history and compliance rating for Community Water Services, Inc. and Walter J. Carroll Water Co., Inc.

**Q. ARE THESE RECORDS IDENTIFIED IN APPLICANTS' EXHIBIT A-10?**

A. Yes, they are identified as item 12 on that Exhibit.

**Q. WHAT DID YOU DISCOVER IN THAT REVIEW?**

A. I discovered that Community Water Service and Walter J. Carroll Water Company have good compliance histories insofar as the TCEQ is concerned. I found a compliance proceeding in

TCEQ Docket No. 2001-1379-PWS-E relating to four systems in Ellis County, Texas that are owned and operated by Walter J. Carroll Water Company, but that 12-year old proceeding was closed more than a decade ago. We disclosed that proceeding in the Application. Otherwise, the information made available by the TCEQ indicates that Walter J. Carroll Water Company and Community Water Service, through their operation and management of the various public water systems under their ownership and control, have fairly good and compliant track records, and there appear to be not unresolved findings of violations.

**Q. WHAT METHODOLOGIES, STANDARDS, REGULATIONS, AND OTHER TECHNICAL KNOWLEDGE MUST ONE BE FAMILIAR WITH IN CONNECTION WITH A SALE OR TRANSFER OF A PUBLIC WATER SYSTEM AND CERTIFICATE SUCH AS IS THE SUBJECT OF THE APPLICATION?**

A. It is helpful to think of a public utility facility and certification associated with same as including technical, managerial, financial and regulatory components. Some experience in these areas is necessary for a successful application and approval process. Through my professional engineering experience, training and education, I have a great deal of experience in each of these components.

**IV. REFERRED ISSUES**

**Q. ARE YOU FAMILIAR WITH THE LIST OF ISSUES THAT THE PUBLIC UTILITY COMMISSION CHIEF CLERK HAS REFERRED TO THE CONTESTED CASE HEARING IN THIS MATTER?**

A. Yes. I reviewed the Preliminary Order that contains the issues referred and I am familiar with those issues.

**Q. ARE YOU QUALIFIED TO OFFER OPINIONS AS AN EXPERT REGARDING ANY OF THE ISSUES THAT HAVE BEEN REFERRED?**

A. Yes, except issues 1 and 4. Issue 1 regards when the proposed transfer of the Facilities and associated real property will occur. Issue 4 regards the seller's customer deposits for which expert testimony is not really needed. My experience, training and education as well as my involvement with the Facilities and the parties in this proceeding will allow me to assist the Administrative Judge in making a decision as to the other issues referred to this proceeding.

**Q. HAVE YOU FORMED OPINIONS, CONCLUSIONS, OR MENTAL IMPRESSIONS REGARDING ISSUES 2, 3, 5 AND 6?**

A. Yes.

**Q. WILL YOU PLEASE PROVIDE YOUR INTRODUCTORY COMMENTS CONCERNING YOUR TESTIMONY IN THIS PROCEEDING?**

A. Yes. In addition to the investigation and review described above, I supervised preparation of the Application and am familiar with the requirements of the Facilities as represented in the Application. In preparing the Application, I visited and inspected the site of the Facilities forming the basis of the Application. My testimony is based upon my extensive education, training, experience and review of information as described herein, and upon my review of the applicable regulations in relation to the Application, the Facilities in question and the parties.

**REFERRED ISSUE NO. 2: Has the purchaser demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service to the requested area and any areas currently certificated to the person? TWC § 13.301(b); 16 TAC § 24.109(b).**

**Q. HAVE YOU FORMED AN OPINION AS TO WHETHER WALTER J. CARROLL CO., INC. HAS DEMONSTRATED ADEQUATE FINANCIAL**

**CAPABILITY TO PROVIDE CONTINUOUS AND ADEQUATE SERVICE TO THE CERTIFIED AREA?**

A. Yes.

**Q. WHAT IS YOUR OPINION?**

A. My opinion is that the Walter J. Carroll Water Company has demonstrated adequate financial capability to provide continuous and adequate service to the certified area.

**Q. WHAT DID YOU CONSIDER TO ARRIVE AT THAT OPINION?**

A. In preparing the Application, my firm worked with Mr. Carroll in preparing the financial information submitted, including the Historical Balance Sheets, the Historical Income Statement, the Historical Expenses Statement, the Projected Balance Sheets, the Projected Income Statement. I have also reviewed and considered the financial information of the Walter J. Carroll Water Company as of December 31, 2014, which has been submitted in this proceeding. All the financial information that I reviewed indicate that the Walter J. Carroll Water Company is positioned, financially, to operate and manage the Facilities in question according to the applicable regulations. I also considered the organizational structure of the Walter J. Carroll Water Company. That company has been in operation under Mr. Carroll's direction since about 1965 and currently manages four public water systems that are quite similar to the Facilities in question that serve the certified area. The company has an appropriately scaled staff for effective and efficient operation and management of a retail public facility such as the Facilities in question. I also considered the applicable production fees and rate charges applicable to the Facilities in question as contained in the filings in this SOAH proceeding.

**Q. WILL YOU SUMMARIZE YOUR OPINION IN THIS REGARD?**

A. Yes. Based on my education, training and experience with retail public facilities such as the Facilities in question, and based on my involvement with Walter J. Carroll Water Company in this proceeding and project, it is my opinion that Walter J. Carroll Water Company has demonstrated, through the financial and operational information provided, adequate financial capability to provide continuous and adequate service to the certified area through the Facilities.

**REFERRED ISSUE NO. 3: Will approving the proposed sale serve the public interest? TWC § 13.246(c)-(c)(9).**

**Q. HAVE YOU FORMED AN OPINION AS TO WHETHER THE UTILITY COMMISSION'S APPROVAL OF THE APPLICATION AND PROPOSED SALE, TRANSFER OR MERGER OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY IN QUESTION SERVE THE PUBLIC INTEREST?**

A. Yes.

**Q. IN YOUR OPINION, WILL THE UTILITY COMMISSION'S APPROVAL OF THE APPLICATION AND PROPOSED SALE OR TRANSFER OF THE CCN SERVE THE PUBLIC INTEREST?**

A. Yes.

**Q. IN YOUR OPINION, HOW WILL THE UTILITY COMMISSION'S APPROVAL OF THE APPLICATION AND PROPOSED SALE OR TRANSFER OF THE CCN SERVE THE PUBLIC INTEREST?**

A. Through my work in this project, I learned that Bonnie Frame, the current owner of Community Water Services, has experienced a series of personal matters that prompted her to phase out of the management of these Facilities. She no longer wants to operate and maintain the Facilities in question so that she may care for her husband who is ill. Walter J. Carroll Water

Company has extensive experience in the management and operation of public utility facilities such as the Facilities in question. Currently, Mr. Carroll and his company successfully operates and manages four similar water systems in Ellis County. Mr. Carroll's company appears to be qualified and positioned to accept the Facilities and to operate them so as to continue to ensure the consumers in the certified area receive continuous and adequate service. Through my involvement in the Application, with the Facilities and the parties, my opinion is that the public's interests will be served by the Utility Commission's approval of the transfer requested in this matter. Through my involvement, I discovered nothing to indicate that the public's interests will not be served by the Utility Commission's approval of the transfer requested in this matter.

**Q. IN FORMING YOUR OPINION THAT THE APPROVAL OF THE APPLICATION AND TRANSFER OF THE CCN WILL SERVE THE PUBLIC INTEREST, DID YOU CONSIDER THE REGULATIONS GOVERNING THE APPROVAL PROCESSES INVOLVED, INCLUDING THE FACTORS CONTAINED IN TITLE 16, PART 2, CHAPTER 24, SUBCHAPTER G, RULE § 24.112(c)(5) OF THE TEXAS ADMINISTRATIVE?**

A. Yes. I considered all the information that I reviewed in relation to this testimony.

**Q. DID YOU CONSIDER WHETHER NOTICE WAS PROPERLY GIVEN?**

A. Yes. In review of the notices given in relation to the Application, as on file in SOAH Docket No. 473-15-2274 and PUC Docket No. 43175, it appears that proper notice of the Application was given to all who are entitled to notice. My firm was involved in making sure proper notices were issued for the Application.

**Q. DID YOU CONSIDER THE ADEQUACY OF SERVICE CURRENTLY PROVIDED TO THE CERTIFICATED AREA?**

A. Yes. In my review of this matter, I discovered that the water well that services the Facilities produces about 130 or 140 gallons of water per minute. There are about 110 active connections to the Facilities and about 450 consumers allocated to the Facilities. The water production from the well that services the Facilities is more than enough needed to maintain continuous and adequate water service to the certified area even with moderate growth. I inquired as to whether there have been any requests for additional services or complaints or concerns from consumers in the certified area about the adequacy of the service currently provided to the certificated area. I discovered none, except for the few concerns submitted by the City of Red Oak in relation to the Application. Also, the TCEQ compliance history of Community Water Service further indicate that the service of the Facilities in question are adequate for the demands of the certificated area.

**Q. DID YOU CONSIDER THE EXPERIENCE AND TRACK RECORD OF THE WALTER J. CARROLL WATER CO., INC.?**

A. Yes. I considered the experience of Walter J. Carroll Water Co., Inc. That company has been in operation under Mr. Carroll's direction since about 1965 and currently manages four public water systems that are quite similar to the Facilities in question that serve the certified area. Mr. Carroll was a license-holding water operator from 1981 through about 2003. Mr. Carroll oversees an operations manager, Ricky Reeder, who possesses a Class C Ground Water Treatment Operator License issued by the TCEQ, and who has maintained and operated the company's four other retail public water systems since about 1996. Through my discussions with Mr. Carroll, it is apparent that he is passionate about quality management and operations of public water facilities. The experience of and commitment expressed by Mr. Carroll and of the Walter J. Carroll Water Company provide strong support that the transfer of the CCN in question

will serve the public interest and will result in the provision of continuous and adequate water service to the certificated area.

**Q. IN FORMING YOUR OPINION THAT THE SALE, TRANSFER, OR MERGER IN QUESTION WILL SERVE THE PUBLIC INTEREST IF APPROVED, DID YOU CONSIDER THE EFFECT THAT THE APPROVAL OF THE APPLICATION MAY HAVE ON ANY UTILITY OR WATER SUPPLY OR SEWER SERVICE IN THE CERTIFICATED AREA?**

A. Yes. The Facilities in question have provided continuous and adequate service to the certificated area for more than 30 years. It is my understanding that the City of Red Oak provides sewer service to consumers in the certified area, but I am aware of no past or present problems associated with the water service provided by the Facilities and the sewer service provided by the City. Based on my review of this matter, the approval of the Application and the transfer or merger of the CCN to Walter J. Carroll Water Company will have no adverse effect any other utility or water supply or sewer service in the area.

**Q. DID YOU CONSIDER THE EFFECT THAT THE APPROVAL OF THE APPLICATION MAY HAVE ON ANY RETAIL PUBLIC UTILITY OF THE SAME KIND ALREADY SERVING THE PROXIMATE AREA?**

A. Yes.

**Q. HOW MIGHT THE APPROVAL OF THE APPLICATION HAVE AN EFFECT ON ANY RETAIL PUBLIC UTILITY OF THE SAME KIND ALREADY SERVING THE PROXIMATE AREA?**

A. It shouldn't have any adverse effect. The Facilities have provided continuous and adequate service to the certified area for more than 30 years. To my knowledge, there are no

other retail public utilities of the same kind serving the area or that will be adversely effected by the continued operations of the Facilities. To my knowledge, there are no adjacent retail public utilities that would or could service the certified area, or that could provide the type of service that Walter J. Carroll Water Co., Inc. anticipates providing upon approval of the transfer. In my opinion, the approval of the Application should have no adverse effect on any retail public utility.

**Q. DID YOU CONSIDER THE EFFECT THAT THE APPROVAL OF THE APPLICATION MAY HAVE ON THE LAND AND LANDOWNERS IN THE AREA?**

**A. Yes.**

**Q. HOW MIGHT THE APPROVAL OF THE APPLICATION EFFECT THE LAND AND LANDOWNERS IN THE AREA?**

**A.** In my opinion, it shouldn't have any adverse effect. The Facilities in question have provided continuous and adequate service to the certificated area for more than 30 years. Through my review of the Application, the Facilities and surrounding land areas, and the other information referenced in this testimony, I discovered nothing that would indicate the Facilities will have an adverse effect on the land or landowners in the area. It is my opinion that the approval of the Application will have no adverse effect on the land or any landowner in the area, but rather will be beneficial to the land and landowners in the area.

**Q. IN FORMING YOUR OPINIONS IN THIS MATTER, DID YOU CONSIDER THE ABILITY OF WALTER J. CARROLL CO., INC. TO PROVIDE ADEQUATE SERVICE, INCLUDING MEETING THE STANDARDS OF THE UTILITY COMMISSION, TAKING INTO CONSIDERATION THE CURRENT AND PROJECTED DENSITY AND LAND USE OF THE AREA?**

A. Yes. I considered the experience of Walter J. Carroll Water Company, having been in operation under Mr. Carroll's direction since about 1965. Walter J. Carroll Water Company manages four similar public water systems in Ellis County, which is the county in which the Facilities in question are located. Mr. Carroll was a license-holding water operator from 1981 through about 2003, and he has been in this business of retail public water systems for about 50 years. Mr. Carroll oversees an operations manager, Ricky Reeder, who possesses a Class C Ground Water Treatment Operator License issued by the TCEQ and who has maintained and operated the company's four other retail public water systems since about 1996. Through my discussions with Mr. Carroll, it is apparent that he is passionate about quality management and operations of public water facilities, and through my review of compliance histories, it appears that the Walter J. Carroll Water Company operates and manages its retail public water systems in good compliance with the applicable regulations of the TCEQ and other authority. The experience of and commitment expressed by Mr. Carroll indicate that Walter J. Carroll Water Company is able to meet applicable standards of the Utility Commission. Moreover, the Facilities in question provide continuous and adequate service to the certificated area, so Walter J. Carroll Water Company should be able to seamlessly take over operations of the Facilities. In summary, I found nothing to indicate the Facilities will not be capable of continuing to provide adequate and continuous service to the certified area under the management of Walter J. Carroll Water Company.

**Q. IN FORMING YOUR OPINION THAT THE SALE, TRANSFER, OR MERGER IN QUESTION WILL SERVE THE PUBLIC INTEREST IF APPROVED, WHAT OTHER FACTORS DID YOU CONSIDER?**

A. I also considered the environmental integrity of the Facilities. In my review of the Facilities and of the past performance and operations of the Facilities by Community Water Service, I found nothing to indicate the Facilities will cause any detriment to the surrounding environment if the Facilities are placed under the management and operations of the Walter J. Carroll Water Company. This conclusion is also supported by the experience and performance history of Community Water Service as to the Facilities in question as well as Walter J. Carroll Water Company's operations and management of the four other similar public water systems in Ellis County, Texas.

**REFERRED ISSUE NO. 5: Does the water system being purchased have any deficiencies or problems that need correction to be in compliance with the rules of the Commission and the TCEQ?**

**Q. IN YOUR REVIEW OF THE FACILITIES IN QUESTION, DO YOU KNOW OF ANY DEFICIENCIES OR PROBLEMS THAT NEED CORRECTION TO BE IN COMPLIANCE WITH THE RULES OF THE COMMISSION AND THE TCEQ?**

A. No.

**Q. WHAT INFORMATION DID YOU CONSIDER IN CONCLUDING AS MUCH?**

A. I reviewed the TCEQ compliance histories for the Facilities in question as well as information made available by Community Water Service. Through the past operation and management of the Facilities in question, there appear to be no deficiencies identified by the TCEQ, and Community Water Service and the Walter J. Carroll Water Company have supplied sufficient information to conclude that there are no deficiencies that need to be addressed. In fact, on April 7, 2015, the TCEQ notified the Community Water Service that there were no

violations of any TCEQ requirements at the time of an investigation that was apparently performed on April 7, 2015.

**REFERRED ISSUE NO. 6: *What are the precise boundaries of the service area that is the subject of the purchaser's application?***

**Q. HAVE YOU REVIEWED APPLICANTS' EXHIBIT A-4, WHICH IS AN AGREEMENT BETWEEN THE PARTIES IN REGARD TO THE SALE AND TRANSFER OF REAL PROPERTY AND FACILITIES IN QUESTION?**

**A. Yes.**

**Q. DOES APPLICANTS' EXHIBIT A-4 ADEQUATELY DESCRIBE THE FACILITIES IN QUESTION AND THEIR LOCATION?**

**A. Yes. That Agreement and the Deed and Bill of Sale adequately describe the Facilities and the real property in question located in Ellis County, Texas.**

**Q. ARE THERE ANY DOCUMENTS THAT ALSO DESCRIBE THE AREA SERVICED BY THE FACILITIES IN QUESTION?**

**A. Yes. A map that illustrates the location of the production, transmission and distribution facilities for the Facilities in question was filed in support of the Application.**

**Q. I SHOW YOU WHAT HAS BEEN MARKED AS EXHIBIT A-14, WHICH IS ALSO ITEM 4 IN THE LIST OF ITEMS FILED IN SOAH DOCKET NO. 473-15-2274;PUC Docket No. 43175. WHAT DOES APPLICANTS' EXHIBIT A-14 DEPICT??**

**A. That document is a map of the Facilities in question. The map depicts the boundaries of the service area of the Facilities.**

**Q. DOES THIS APPEAR TO BE A TRUE AND CORRECT COPY OF MAP THAT ILLUSTRATES THE LOCATION OF PRODUCTION, TRANSMISSION AND DISTRIBUTION FACILITIES FOR THE FACILITIES IN QUESTION?**

**A. Yes.**

[APPLICANT OFFERS APPLICANT'S EXHIBIT A-14 – Map of Facilities]

**Q. DOES EXHIBIT A-14 ADEQUATELY ILLUSTRATE THE LOCATION OF PRODUCTION, TRANSMISSION AND DISTRIBUTION FACILITIES FOR THE FACILITIES IN QUESTION?**

**A. Yes.** For purposes of describing the boundaries of a retail public water utility, a map such as this is reasonable and customary, and the information contained in Exhibit A-14 adequately describes the boundaries of the service area in question.

#### **IV. RECOMMENDATIONS AND CONCLUSION**

**Q. WILL YOU PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS IN THIS PROCEEDING?**

**A. Yes.** Based upon my training, education and experience, and based upon my review of the Application and the other information referenced in this testimony, it is my professional opinion that the Application should be approved as submitted, and that Utility Commission should approve the sale, transfer and merger of the CCN in issue from Community Water Services, Inc. to Walter J. Carroll Water Co., Inc. The Application meets the applicable TCEQ and PUC regulations and standards, and should not be subjected to more stringent standard. Further, it is my opinion that the Walter J. Carroll Water Co., Inc. is capable of rendering adequate and continuous service to every consumer within the certified area pursuant to the regulations referenced in my testimony.

**Q. DO YOU RECOMMEND APPROVAL OF THE APPLICATION IN FAVOR OF APPLICANTS?**

A. Yes.

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY AT THIS TIME?**

A. Yes. Subject to review of further documentation and the testimony of any other witnesses submitted by the Commission or any other interested party, this concludes my direct testimony.

SOAH Docket No. 473-15-2274  
PUC Docket No. 43175

APPLICATION OF COMMUNITY §  
WATER SERVICE, INC. and § BEFORE THE STATE OFFICE  
WALTER J. CARROLL CO., INC. §  
INVESTORS, LP, FOR SALE, TRANSFER, § OF  
OR MERGER OF FACILITIES AND § ADMINISTRATIVE HEARINGS  
CERTIFICATE RIGHTS IN ELLIS COUNTY §

APPLICATION NO. 37981-S

AFFIDAVIT

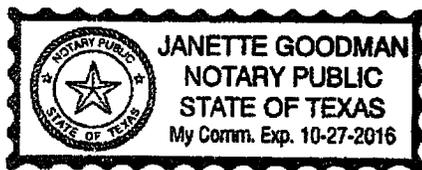
STATE OF TEXAS §  
COUNTY OF Erath §

CHARLES P. GILLESPIE, JR., P.E., upon first being duly sworn according to law, under oath deposes and states: That I have read the foregoing Direct Testimony and referenced Exhibits and they are true and accurate representations of what the testimony would be if the testimony were to be given orally at the time the written testimony is offered into evidence.

SIGNED this the 8th day of May, 2015.

Charles P. Gillespie, Jr., P.E.  
CHARLES P. GILLESPIE, JR., P.E.

SUBSCRIBED AND SWORN to before me this the 8th day of May, 2015.



Janette Goodman  
NOTARY PUBLIC, STATE OF TEXAS

