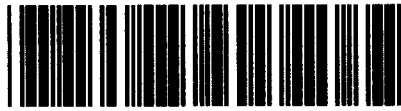




Control Number: 44200



Item Number: 13

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014

SOAH DOCKET NO. 582-01-3914
TNRCC DOCKET NO. 2001-0845-UCR

APPLICATION BY VILLAGE OF	§	BEFORE THE
WIMBERLEY TO OBTAIN A SEWER	§	STATE OFFICE OF
CERTIFICATE OF CONVENIENCE	§	ADMINISTRATIVE
AND NECESSITY IN HAYS COUNTY	§	HEARINGS

VILLAGE OF WIMBERLEY'S
PREFILED DIRECT TESTIMONY OF MR. DAVID WELSCH

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Dated: April 19, 2002

**SOAH DOCKET NO. 582-01-3914
TNRCC DOCKET NO. 2001-0845-UCR**

**APPLICATION BY VILLAGE OF
WIMBERLEY TO OBTAIN A SEWER
CERTIFICATE OF CONVENIENCE
AND NECESSITY IN HAYS COUNTY**

§
§
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§

**BEFORE THE
STATE OFFICE OF
ADMINISTRATIVE
HEARINGS**

**VILLAGE OF WIMBERLEY'S
PREFILED DIRECT TESTIMONY OF MR. DAVID WELSCH**

1 Q. Please state your name and business address.

2 A. My name is David M. Welsch. My business address is 933 E. Court St., Seguin, TX
3 78155.

4
5 Q. Please describe your educational background and professional experience.

6 A. I have a Bachelor of Arts (Business) from Texas Lutheran University. I have worked for
7 the Guadalupe-Blanco River Authority (GBRA) for twenty-seven (27) years. During my
8 years at GBRA, I have worked primarily in the development of water and wastewater
9 related projects, including the management of studies, planning for new water and
10 wastewater services, the development of water and wastewater service contracts with
11 municipalities and others and the management of land acquisition programs. My
12 experience includes preparing permits and representing GBRA before state and federal
13 agencies. I have managed area and regional water and wastewater studies. I have
14 worked in the development, permitting and construction of rural wastewater service
15 systems and in the expansion of exiting wastewater systems. I was the principle
16 negotiator for the new wastewater treatment system in the City of Lockhart.

DIRECT TESTIMONY OF DAVID WELSCH
SOAH DOCKET NO. 582-01-3914
TNRCC DOCKET NO. 2001-0845-UCR

1 Q. In what capacity are you currently employed with GBRA?

2 A. I am currently employed as the Director of Project Development.

3

4 Q. How long have you been the Director of Project Development?

5 A. About 20 years.

6

7 Q. Please describe your job duties and responsibilities at GBRA.

8 A. I am responsible for the development of new projects and services for GBRA, including
9 municipal water supply, distribution services, and wastewater systems. I serve as the
10 principal project manager for contract development, and permit and property acquisitions.
11 Specifically, I negotiate water supply contracts, and water and sewer operating
12 agreements with other political subdivisions and retail public utilities. I coordinate the
13 staff and consultants during the implementation of these newly negotiated contracts. I
14 direct regional wastewater planning activities and develop grant applications and seek
15 funding assistance for the various wastewater, water supply and distribution projects
16 implemented by GBRA. As part of my job duties and responsibilities, I have been
17 involved in the negotiations of the contracts between GBRA and Wimberley and have
18 coordinated GBRA's assistance with Wimberley's efforts to obtain a CCN to provide
19 sewer service to its citizens.

20

1 Q. Are you a member of any professional associations?

2 A. I am a member of the Alamo Area Council of Governments, the Texas Water
3 Conservation Association, the National Water Resource Association, and the American
4 Public Power Association. I am a licensed real estate broker.

5

6 Q. Please describe your experience in the area of municipal sewer service.

7 A. One of the primary purposes of GBRA is to provide regional sewer service within the
8 District. To further that purpose, I have worked with numerous municipal sewer service
9 providers throughout GBRA's service area, examining their sewer needs, their system's
10 capacities, and financial status, and negotiating sewer service agreements as well as
11 operating agreements.

12

13 Q. When you are directing regional planning activities and negotiating sewer service
14 agreements and operating agreements with utilities what types of information is it
15 important for you to know and understand?

16 A. It is important to know and understand the management of sewer utilities, infrastructure
17 capacities, sewer demands and needs, and financial needs.

18

19 Q. Have you ever testified before?

20 A. Yes.

1 Q. In what cases and in what capacity?

2 A. I have provided rights-of-way testimony in jurisdictional matters. I have also provided
3 testimony concerning valuation, project needs, and other matters related to GBRA
4 activities. I have also testified in the matter of the creation of a priority groundwater
5 management area for northern Bexar County. Additionally, by the time that I testify in
6 this proceeding I will have testified in the matter of Applications of the City of Bulverde
7 to Obtain and Bexar Metropolitan Water District to Amend Water Certificates of
8 Convenience and Necessity in Comal County. (SOAH Docket Nos. 582-01-3633 and
9 582-02-0432; TNRCC Docket Nos. 2001-0697-UCR and 2001-0951-UCR.)

10

11 Q. Have you prepared a resume describing your experience?

12 A. Yes. My resume is attached to my testimony as Wimberley Exhibit 25.

13

14 Q. What is GBRA's connection with or relationship to Wimberley?

15 A. Wimberley and GBRA have entered into an Interlocal Agreement and an Operating
16 Agreement for GBRA to design, construct, finance, operate, and maintain the sewer
17 system for Wimberley. GBRA has also agreed to assist Wimberley in obtaining a sewer
18 certificate of convenience and necessity (CCN) for Wimberley's requested service area.

19

20 Q. Have you reviewed Wimberley's CCN application?

DIRECT TESTIMONY OF DAVID WELSCH
SOAH DOCKET NO. 582-01-3914
TNRCC DOCKET NO. 2001-0845-UCR

1 A. Yes.

2 Q. Have you reviewed the amendments to Wimberley's CCN application?

3 A. Yes.

4

5 Q. Are you familiar with the area Wimberley is requesting to serve?

6 A. Yes.

7

8 Q. Could you please describe the area to be served?

9 A. The requested area is in Hays County, Texas. The requested area includes the city limits
10 of Wimberley and its extraterritorial jurisdiction, which extends one mile from the
11 Wimberley city limits. It excludes those areas that have previously been certificated to
12 other utilities except for a small area recently certificated to Woodcreek Utilities Inc. A
13 map of the requested area is attached to Steve Klepfer's prefiled testimony as Wimberley
14 Exhibit 12.

15

16 Q. Is Hays County within the statutory service area and jurisdiction of GBRA?

17 A. Yes.

18

19 Q. Were you involved in negotiating and drafting of the Operating Agreement and an
20 Interlocal Agreement with Wimberley?

1 A. Yes.

2

3 Q. Please generally describe the basic provisions of the Interlocal Agreement and the
4 Operating Agreement between Wimberley and GBRA?

5 A. As described in the Operating Agreement, GBRA has agreed to design, permit, finance,
6 construct, operate and maintain a sewer system for Wimberley. The system will collect,
7 treat, and dispose of wastewater from Wimberley. In the Interlocal Agreement, GBRA
8 has agreed that the services it is providing to Wimberley under the Operating Agreement
9 will be used to serve the customers in Wimberley's requested service area. GBRA's
10 services will be compensated in accordance with the provisions of the Operating
11 Agreement. I have attached a certified copy of the Interlocal Agreement to my testimony
12 as Wimberley Exhibit 26. I have also attached a certified copy of the Operating
13 Agreement to my testimony as Wimberley Exhibit 27.

14

15 Q. Who will handle the accounting, billing, collections, and customer service for the
16 Wimberley sewer system?

17 A. GBRA.

18

19 Q. How will the sewer system be financed?

20 A. GBRA will finance the system, including issuing debt, if necessary.

DIRECT TESTIMONY OF DAVID WELSCH
SOAH DOCKET NO. 582-01-3914
TNRCC DOCKET NO. 2001-0845-UCR

1 Q. For what purposes will the fees and monies collected by GBRA under the Operating
2 Agreement be used?

3 A. On behalf of Wimberley, GBRA will collect fees and monies from the retail customers to
4 pay for the costs and services associated with the collection, treatment, and disposal of
5 wastewater through the Wimberley sewer system, including operation and maintenance
6 costs, debt service requirements, and bond requirements.

7
8 Q. What sewer service is currently being provided to the requested area?

9 A. To the best of my knowledge, no sewer service by a utility is being provided in the
10 requested area, with one exception. AquaSource Utility Inc. is providing sewer service in
11 the northwest portion of the requested area.

12
13 Q. Is the sewer service in the requested area adequate?

14 A. No. Because no utility is currently providing sewer service in a majority of the area, the
15 sewer service is inadequate to meet current and anticipated demands.

16
17 Q. Do you believe there is a need for sewer service in the requested area?

18 A. Yes.

19
20 Q. What is the basis for your opinion there is a need for sewer service?

1 A. Wimberley has received numerous oral and written requests for sewer service. I have
2 read these requests for sewer service. They have been included as part of Wimberley's
3 CCN application. Also, I have reviewed the Wimberley Regional Wastewater Planning
4 Study prepared by GBRA and the R.J. Brandes Company, with funding from the Texas
5 Water Development Board. Based on my review of that study, I have concluded there is
6 a need for sewer service because Wimberley is rapidly growing. Most of the current
7 Wimberley population is on septic systems. With the increased population, and
8 environmentally-sensitive character of the requested area, there are potential problems
9 involving immediate and long-term impacts on water and land resources in the requested
10 area. Management and control of the requested area's wastewater is needed to protect
11 these resources and to meet the needs of the growing population. A certified copy of the
12 Wimberley Regional Wastewater Planning Study is attached to my testimony as
13 Wimberley Exhibit 28.

14
15 Q. Are you familiar with where those requests for sewer service are located within the
16 requested area?

17 A. Yes. They are located throughout the requested area. A map that depicts Wimberley's
18 requested area and the locations of the requests for sewer service that have been received
19 by Wimberley is attached to Steve Klepfer's prefiled testimony as Wimberley Exhibit 15.

DIRECT TESTIMONY OF DAVID WELSCH
SOAH DOCKET NO. 582-01-3914
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1 Q. Are you familiar with the other utilities serving in the proximate area to Wimberley's
2 requested area?

3 A. Yes.
4

5 Q. What other utilities are currently providing sewer service within two miles of
6 Wimberley's requested area?

7 A. AquaSource Utility, Inc., ("AquaSource") which has taken over the operations of
8 Woodcreek Utilities, Inc., and Blue Hole Management, Ltd. ("Blue Hole").
9

10 Q. Have you considered the ability of the utilities providing sewer service in the proximate
11 area to provide sewer service to their respective customers?

12 A. Yes.
13

14 Q. Have you considered the ability of these utilities to provide sewer service to Wimberley's
15 requested area?

16 A. Yes.
17

18 Q. What information did you review?

19 A. The Regional Wastewater Planning Study for the Wimberley, the draft work on the
20 Wimberley Wastewater Masterplan, and correspondence and material from Wimberley,

1 as well as the Wimberley CCN application.

2
3 Q. Do you have any concerns about the sewer service those utilities currently provide to
4 their respective certificated areas? What are those concerns?

5 A. There is customer dissatisfaction with the existing, limited service in the area, and an
6 overall concern that service by existing providers to new areas would be unreliable,
7 costly, and unresponsive to the citizens needs. There is also a concern that others may
8 have aggressive approaches to systems that provide treated discharge of effluent into area
9 streams.

10
11 Q. Do you have concerns about those utilities' ability to provide sewer service to
12 Wimberley's requested area? What are those concerns?

13 A. I am concerned that these utilities do not have sufficient capacity to serve the entire
14 requested area. I am aware that AquaSource has had customer service and billing
15 problems and has also had compliance problems with its Woodcreek system. I am also
16 concerned that, because these entities are investor-owned utilities and to date have not
17 sought to certificate all of Wimberley's requested area, they are under no obligation to
18 provide sewer service to the requested area. There is no guarantee that Blue Hole or
19 AquaSource will certificate Wimberley's requested area in the future and thus obligate
20 themselves to provide sewer service.

1 Q. How would you compare the sewer service that Wimberley and GBRA, acting as the
2 operator for the Wimberley system, will be able to provide to the requested area with the
3 sewer service that any of the neighboring utilities would be able to provide to
4 Wimberley's requested area?

5 A. GBRA is a regional sewer service provider, with many years of experience in providing
6 sewer service. GBRA possesses the managerial, technical, and financial resources to
7 meet the sewer needs of the requested area. GBRA presently operates small rural
8 systems as well as large municipal systems. GBRA operates on a cost of service basis.
9 GBRA has a staff of trained, professional engineers, water quality specialists, and
10 operators dedicated to the design, construction and operation of these systems. GBRA
11 has a history of working with municipalities to address their concerns and meet their
12 needs.

13
14 Q. Based on your review of the neighboring utilities, will granting the sewer CCN to
15 Wimberley have an adverse impact on the other retail service providers serving in the
16 proximate area?

17 A. No. To the best of my knowledge, except for the area recently certificated to Woodcreek
18 Utilities (AquaSource), these systems do not currently provide sewer service in the
19 requested area. Those utilities will be able to focus on serving the areas they already
20 currently serve and to ensure there is an adequate sewer service for their current and

1 future customers in their respective service territories.

2
3 Q. Is it feasible to obtain sewer service in the requested area from another utility providing
4 sewer service in the proximate area? Why?

5 A. For a majority of the requested area, it is no more feasible to obtain sewer service from
6 the another utility than it will be to obtain sewer service from Wimberley. For the areas
7 within one-quarter mile of the service areas of Blue Hole and AquaSource, and along
8 AquaSource's sewer lines on FM 2325, the feasibility of obtaining sewer service from
9 AquaSource or Blue Hole is uncertain because neither AquaSource nor Blue Hole are
10 obligated to provide sewer service to those areas. Moreover, I do not believe Blue Hole
11 and AquaSource have the capacity to provide sewer service to all the potential customers
12 in the requested area.

13
14 Q. In your opinion, does Wimberley have the ability to provide continuous and adequate
15 sewer service to the requested area?

16 A. Yes. Consistent with the contractual relationship between GBRA and Wimberley,
17 through the Operating Agreement, and the Interlocal Agreement, Wimberley has the
18 ability to provide continuous and adequate sewer service to the requested area.

19
20 Q. In your opinion, will sewer service by Wimberley, with GBRA as the operator, improve

1 sewer service to the customers in the requested area?

2 A. Yes. Very limited sewer utility service is currently available in the requested area, and
3 based on the growth estimates in the Wimberley Regional Wastewater Planning Study,
4 attached to my testimony as Wimberley Exhibit 28, there is a need for sewer service in
5 the area. Thus, sewer service in the requested area by Wimberley will be an
6 improvement.

7
8 Q. Can Wimberley provide sewer service to the requested area with equal or improved
9 service than that which would be provided by other retail public utilities? Why?

10 A. Yes. Through its contractual relationship with GBRA, Wimberley will be able to ensure
11 the type of sewer service that is provided to the requested area complies with applicable
12 regulatory standards and is continuous and adequate to meet the sewer needs of
13 customers within the requested area.

14
15 Q. In your opinion, will granting the CCN have a negative impact on Wimberley?

16 A. No. As provided by the agreements between GBRA and Wimberley, GBRA will own the
17 infrastructure until such time as Wimberley is willing and able to purchase the sewer
18 system. Payment for the infrastructure will be recouped through fees and sewer rates.
19 Also, GBRA will operate and maintain the system, including billing, collections, and
20 customer services. Therefore, there will be no need for Wimberley to hire additional staff

1 to operate or maintain the sewer system.

2
3 Q. In your opinion does Wimberley, with GBRA as the operator of the system, possess the
4 managerial and technical capability to provide continuous and adequate sewer service to
5 the requested area?

6 A. Yes.

7
8 Q. In your opinion, is granting the CCN to Wimberley necessary for the service,
9 accommodation, convenience, or safety of the public?

10 A. Yes. It will ensure there is adequate sewer service in the requested area and eliminate the
11 need for septic systems, which can be harmful to the groundwater, rivers, and creeks in
12 the Wimberley's requested area.

13
14 Q. Does this conclude your testimony?

15 A. Yes. I reserve the right to amend or supplement my testimony at the time of trial to
16 correct any inadvertent mistakes and to reflect changes in circumstances.

David M. Welsch

Director of Project Development Guadalupe-Blanco River Authority

Experience

- ◆ **Canyon Hydroelectric Plant:** Prepared all permits and represented GBRA before State and Federal agencies for installation of a hydroelectric plant in the outfall of Canyon Reservoir.
- ◆ **Coleto Creek Reservoir:** Represented GBRA before State and Federal agencies for permits for construction and operation, and served as liaison with local officials and clients. Administered separate office for survey, title, legal notification and condemnations for reservoir, power plant, highway and utility reallocations.
- ◆ **Victoria Wastewater Services:** Served as project manager for expansion of the Victoria Regional and Willow Street Wastewater Treatment Plants.
- ◆ **Property Acquisitions:** Acquired rights-of-way for water supply pipeline projects and for electric transmission line relocations. Conducted title research representing GBRA in litigation and voluntary resolution of property disputes involving all GBRA property rights.
- ◆ **Water and Wastewater Studies:** Managed numerous basin-wide water studies including the *Regional Water Study for the Guadalupe River Basin*, *Wimberley Regional Wastewater Study*, *Water Availability Study for the Guadalupe and San Antonio River Basins*, and the *Western Comal County Water Study*. Represented GBRA on the Project Management Committee for the West Central portion of the *Trans Texas Water Supply Study*.
- ◆ **Water Supply Projects:** Directed studies and negotiations with in-district and out-of-district water utilities for a new treated water supply system to provide service to portions of Western Comal County, Kendall County and Bexar County.
- ◆ **Water and Wastewater Contracts:** Developed studies of water supply needs serving as principal negotiator in the development of a new treated water supply project for the City of Boerne and for a new wastewater treatment system for the City of Lockhart.
- ◆ **Public Liaison:** Developed Lake Management Workgroups to coordinate with local and State officials and to provide public input for the management of six hydroelectric lakes and to develop education programs, consider alternatives, and seek consensus and funding for methods to control aquatic weed problems in area lakes, and to address issues such as water safety, water quality and lake operations. Developed and conducted semiannual forums for local, State and federal officials, individuals and water-related operators to identify and address issues related to water supply operations and recreational uses.
- ◆ **Other Activities:** Supported the development of regulation for the Edwards Aquifer, to protect springflow for water rights holders. Represented GBRA in litigation and property rights issues. Developed legislative relations, representing GBRA in State and Federal issues.
- ◆ **Public Communications:** Developed a communications program for GBRA to include public education programs, community initiatives, and internal and external communications.

Primary Responsibilities

- ◆ Responsibility for the development of new projects and services for GBRA.
- ◆ Serves as principal Project Manager for contract development, permit and property acquisitions and for coordination of staff and consultants during new project implementation.
- ◆ Responsible for developing community initiatives to increase awareness of GBRA experience as a provider of water related services, training, and technical assistance programs.
- ◆ Directs regional planning activities, develops grant applications and seeks funding assistance, and directs public input and participation in planning activities.

Education

Bachelor of Arts (Business),
Texas Lutheran University,
1973.

Service with GBRA

27 years of experience in the water and wastewater field, land acquisition and project development.

Professional Associations

- ◆ Alamo Area Council of Governments
- ◆ Texas Water Conservation Association
- ◆ National Water Resources Association
- ◆ American Public Power Association