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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
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. ALVIN E. SCHUERGER, C.P.A.

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Dated: April 19, 2002

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1 Q. Please state your name and business address.

2 A. My name is Alvin Schuerg. My business address is 933 E. Court St., Seguin, Texas
3 78155.

4
5 Q. With whom are you employed and in what capacity?

6 A. I am the Director of Finance and Accounting for Guadalupe-Blanco River Authority
7 (GBRA).

8
9 Q. Please describe your educational background and professional experience.

10 A. I have a Bachelor of Arts from Texas Lutheran University in Accounting and Business. I
11 worked for four years in public accounting before joining GBRA in 1981. I have worked
12 for GBRA for seventeen (17) years in the accounting and finance department.

13
14 Q. How long have you been the Director of Finance and Accounting at GBRA?

15 A. Seven (7) years.

DIRECT TESTIMONY OF ALVIN SCHUERG
SOAH DOCKET NOS. 582-01-3633 & 582-02-0432
TNRCC DOCKET NOS. 2001-0697-UCR & 2001-0951-UCR

1 Q. Do you hold any professional licenses?

2 A. Yes. I am a Certified Public Accountant.

3

4 Q. Are you member of any professional associations?

5 A. Yes. I am a member of the Texas Society of CPAs, the Government Finance Officers
6 Association, and the Texas Water Conservation Association.

7

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

9 A. I am responsible for cash management, investments, debt issuance, and debt
10 administration. I assure that all financial obligations are satisfied and that surplus funds
11 are safely invested. I oversee all accounting functions, including accounts payable,
12 accounts receivable, payroll, utility billing, fixed assets, general ledger, and financial
13 reporting. I am responsible for compiling GBRA's Comprehensive Annual Financial
14 Report, Annual Workplan and Budget, and Historical Operating Analysis. I compile all
15 rate studies and rate filings with the Texas Public Utility Commission. I also have
16 responsibility over the administration of GBRA's Industrial Development Corporation
17 and its Industrial Development Bond issuance. I participate in contract negotiations
18 focusing primarily on project financing issues.

19

20 Q. Have you ever testified before?

DIRECT TESTIMONY OF ALVIN SCHUERG
SOAH DOCKET NOS. 582-01-3633 & 582-02-0432
TNRCC DOCKET NOS. 2001-0697-UCR & 2001-0951-UCR

1 A. Yes. I testified in a Public Utility Commission hydroelectric rate case in 1993.
2 Additionally, by the time that I testify in this proceeding, I will have testified in the
3 Matter of Applications of the City of Bulverde to Obtain and Bexar Metropolitan Water
4 District to Amend Water Certificates of Convenience and Necessity in Comal County.
5 (SOAH Docket Nos. 582-01-3633 and 582-02-0432; TNRCC Docket Nos. 2001-0697-
6 UCR and 2001-0941-UCR.)
7

8 Q. In what capacity?

9 A. In the PUC hearing, I testified about various components within a rate-filing, including
10 finance and operating reserves. In the Bulverde/Bexar Metropolitan Water District
11 consolidated CCN case, I will testify about Bulverde's and GBRA's financial capability
12 of constructing, operating, and maintaining a water distribution system for Bulverde.
13

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

15 A. Yes. My resume is attached to my testimony as Wimberley Exhibit 30.
16

17 Q. Please describe your experience with financing water and sewer systems.

18 A. I have worked on several bond issues for water systems that GBRA owns and/or
19 operates. Specifically, I have worked on the following Bond issues: (1) the Port Lavaca
20 Treatment Plant Refunding Bonds, Series 2000; (2) the Regional Raw Water Delivery

DIRECT TESTIMONY OF ALVIN SCHUERG
SOAH DOCKET NOS. 582-01-3633 & 582-02-0432
TNRCC DOCKET NOS. 2001-0697-UCR & 2001-0951-UCR

1 System Bonds, Series 1998; (3) the Port Lavaca Water Treatment Plant Bonds, Series
2 1991. I have also worked on Bond issues, including Lockhart Wastewater, Series 1996;
3 City of Victoria Wastewater, Series 1996; City of Victoria Wastewater, Series 1993; and
4 Canyon Hydroelectric Plant, Series 1991. I also work on the developing of budgets,
5 rates, and debt service for the Luling Water Treatment Plant, the Port Lavaca Treatment
6 Plant, the Calhoun County Rural Water System, the San Marcos Water Treatment Plant
7 and Pipeline, the Guadalupe Power Partners Pipeline, the NOB Hill Rural Utility System,
8 the Lockhart Water Treatment Plant, the Springs Hill Wastewater Reclamation System
9 near Seguin, the Canyon Park Wastewater Reclamation Plant, and the Northcliffe
10 Wastewater Reclamation Plant near New Braunfels.

11
12 Q. Have you evaluated the financial status of GBRA?

13 A. Yes.

14
15 Q. What did you use or rely upon in your evaluation?

16 A. I relied upon my working knowledge of the GBRA budget and financial statements, and
17 the annual audit. I have attached a certified copy of GBRA's Comprehensive Annual
18 Financial Report for Fiscal Year 2001 to my testimony as Wimberley Exhibit 31. I
19 reviewed these documents in preparation of my testimony today.

DIRECT TESTIMONY OF ALVIN SCHUERG
SOAH DOCKET NOS. 582-01-3633 & 582-02-0432
TNRCC DOCKET NOS. 2001-0697-UCR & 2001-0951-UCR

1 Q. Have you reviewed the annual operating budget of GBRA?

2 A. Yes.

3

4 Q. What is GBRA's current annual operating budget?

5 A. The annual operating budget for GBRA is approximately \$22 million.

6

7 Q. Is GBRA well-managed financially? What supports your conclusion?

8 A. Yes. GBRA is well managed financially. GBRA over time has been growing. Its
9 reserves and net profits continue to grow.

10

11 Q. Based on your review of GBRA's Annual Financial Report for Fiscal Year 2001 and
12 other financial data from GBRA, is GBRA financially stable?

13 A. Yes.

14

15 Q. Have you evaluated the financial status of Wimberley?

16 A. Yes, I have reviewed Wimberley's Budget for the Fiscal Year October 1, 2001 through
17 September 30, 2002, and Wimberley's Audited Financial Report for the Year Ended
18 September 30, 2001.

19

20 Q. Based on your review of these document, is Wimberley financially stable?

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1 A. Yes.

2

3 Q. Are you familiar with the financing of the construction of the sewer system to be built in
4 Wimberley by GBRA?

5 A. Yes.

6

7 Q. How will the construction of the sewer system be financed?

8 A. GBRA anticipates initially funding the development of the sewer system with GBRA
9 reserves; however, GBRA will fund most of the sewer system with long term tax-exempt
10 bonds.

11

12 Q. Are you familiar with the proposed financing of the operation of the Wimberley sewer
13 system?

14 A. Yes.

15

16 Q. How will the operations of the sewer system be financed?

17 A. The operations of the sewer system will be financed through monthly service fees, and
18 connection fees.

19

20 Q. Will the funding for the construction and operation of the Wimberley sewer system

DIRECT TESTIMONY OF ALVIN SCHUERG
SOAH DOCKET NOS. 582-01-3633 & 582-02-0432
TNRCC DOCKET NOS. 2001-0697-UCR & 2001-0951-UCR

1 require any additional funds from Wimberley?

2 A. No, I do not believe so.

3

4 Q. Does GBRA have a history of obtaining funding for its projects?

5 A. Yes.

6

7 Q. What is that history?

8 A. GBRA has obtained funding from numerous sources including bank loans, issuance of
9 bonds, customer/developer contributions, and grants. GBRA has sold bond issues on the
10 open market, through the Texas Water Development Board, and through the Farmers
11 Home Administration (Rural Development).

12

13 Q. Are all these sources of funding available to GBRA to finance the Wimberley sewer
14 system?

15 A. Yes. Additionally, GBRA has customer fees and its existing resources to support and
16 fund the sewer system.

17

18 Q. Have you evaluated possible rate structures for the sewer system?

19 A. Yes.

20

1 Q. What do you expect the sewer rates to be for the system?

2 A. At the time of the filing of this testimony, a determination of the expected sewer rate has
3 not been finalized. As soon as the masterplan for the sewer system is completed, such a
4 determination can be made. Phase I of the masterplan should be completed prior to the
5 scheduled hearing and I will supplement my answer to this question at that time.
6

7 Q. From a financial standpoint, can GBRA construct and operate the sewer system that will
8 serve the requested area?

9 A. Yes.
10

11 Q. With GBRA financing, constructing, and operating the Wimberley sewer system per its
12 contracts with Wimberley, can Wimberley ensure sewer service is provided to the
13 requested area and remain financially stable?

14 A. Yes. There should not be any additional financial burden on Wimberley with the
15 granting of the CCN. The construction and operation of the sewer system will be
16 financed by GBRA. The sewer rates and fees collected from retail customers will be
17 used to pay the debt on the sewer system, and for the operation and maintenance of the
18 sewer system.
19

20 Q. Can GBRA construct and operate the sewer system serving the requested area and remain

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TNRCC DOCKET NOS. 2001-0697-UCR & 2001-0951-UCR

1 financially stable?

2 A. Yes.

3

4 Q. Have you examined what it will cost the neighboring utilities serving in the proximate
5 area to provide sewer service to the requested area as compared to GBRA's costs?

6 A. As compared to the neighboring utilities, I have no reason to believe that their costs
7 would be substantively lower for the reason that GBRA has a broader coverage.

8

9 Q. In your opinion, is Wimberley, with GBRA financing, constructing, and operating the
10 sewer system, financially capable of providing continuance and adequate sewer service to
11 the requested area?

12 A. Yes.

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.

Alvin E. Schuerg

Director of Finance and Accounting Guadalupe-Blanco River Authority

Experience

- ◆ **Debt Issuance:** Structured debt financings for both small and large projects utilizing bank loans, revenue bonds, refunding revenue bonds, and industrial development bonds. These financings have been sold to commercial banks, bond underwriters, and the Texas Water Development Board. Recent projects totaling \$79,410,000 which required the issuance of GBRA debt.
- ◆ **Rate Studies:** Authored several studies and participated in the development of others involving water, wastewater, and electrical rates. These studies have formed the basis for both retail as well as wholesale rate setting for GBRA's operating divisions.
- ◆ **Rate Filings:** All rate studies for wholesale hydroelectric rates are filed with the Public Utility Commission. These filings include completion of all required rate schedules, follow-up requests for information, and testimony during public hearings.
- ◆ **Financial Planning:** Developed and published GBRA's initial Five Year Capital Improvement Plans as well as GBRA's initial Five Year Financial Plan. This plan combined an analysis of previous financial data, compilation of capital improvement plans, determination of financial benchmark applicability, and a projection of future financial position.
- ◆ **Cash Management and Investments:** Management of approximately five million dollars of operating investments pursuant to GBRA policy and the Texas Public Funds Investment Act. Investments are segregated into numerous funds in accordance with operating contracts and sound rate-making principles. Management for an additional five million dollars of restricted investments is also provided.
- ◆ **Activity Based Cost Accounting:** Developed and published GBRA's Indirect Costs Allocation Study in compliance with regulatory and grant agency requirements.
- ◆ **Financial Consultant Selection:** Developed Requests for Proposals, interviewed, and engaged financial auditors, bond counsel, financial advisors, insurance consultants, and management auditors.
- ◆ **Contract Development:** Participated in the development of operating contracts and bond resolutions assuring consistency between the documents and a clear flow of funds between the parties.
- ◆ **Comprehensive Financial Report:** Developed GBRA's financial report to the standards of the Government Finance Officers Association criteria. This report has been awarded the Certificate of Excellence in Financial Reporting for the last 25 years.
- ◆ **GBRA Annual Work Plan and Budget:** Initiated development of GBRA's annual budget in accordance with standards of the Government Finance Officers Association. This budget has been awarded the Distinguished Budget Award.
- ◆ **Grant Program Recordkeeping:** supervising documentation required by FEMA and NRCS following floods along the Guadalupe River.

Primary Responsibilities

- ◆ Direct Responsibility for cash management, investments, debt issuance, and debt administration assuring all obligations are satisfied and that surplus funds are safely invested.
- ◆ Oversight of all accounting functions including accounts payable, accounts receivable, payroll, utility billing, fixed assets, general ledger, and financial reporting. Oversight is also provided for GBRA's records management and reception desk responsibilities.
- ◆ Compilation of GBRA's Comprehensive Annual Financial Report, Annual Workplan and Budget, and Historical Operating Analysis.
- ◆ Compilation of all rate studies and rate filings with the Public Utility Commission.
- ◆ Participate in GBRA's risk management program and act as liaison with GBRA's insurance providers.
- ◆ Direct responsibility for the administration of GBRA's Industrial Development Corporation and its Industrial Development Bond Issuance.
- ◆ Participate in customer contract negotiations focusing primarily on project financing provisions.

Education

Bachelor of Arts, with highest honors, from Texas Lutheran University with majors in Accounting and Business.

Service with GBRA

17 years of experience in the accounting and finance department of GBRA.

Professional Associations

- ◆ Certified Public Accountant
- ◆ Texas Society of CPAs
- ◆ Government Finance Officers Association
- ◆ Texas Water Conservation Association
- ◆ TWCA Risk Management Fund