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**RATEPAYERS' APPEAL OF THE
DECISION BY TROPHY CLUB
MUNICIPAL UTILITY DISTRICT NO. 1
TO CHANGE RATES**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**PREFILED DIRECT TESTIMONY & EXHIBITS
OF
JOHN J. CARLTON**

**ON BEHALF OF
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**

EXHIBIT TC-4

JUNE 21, 2016

**PREFILED DIRECT TESTIMONY & EXHIBITS
OF JOHN J. CARLTON**

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EXHIBITS

Resume, John J. Carlton.....	Exhibit TC-4A
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1 **PREFILED DIRECT TESTIMONY**
2 **OF JOHN J. CARLTON**

3 **I. INTRODUCTION**

4 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

5 A. My name is John J. Carlton. My business address is The Carlton Law Firm, P.L.L.C,
6 2705 Bee Cave Road, Suite 200, Austin, Texas 78746.

7 **Q. WHAT IS YOUR RELATIONSHIP TO THE APPLICANTS IN THESE**
8 **PROCEEDINGS?**

9 A. The utility, Trophy Club Municipal Utility District No. 1, hired my law firm to
10 represent them in these proceedings. I am lead litigation counsel for the District.

11 **II. PROFESSIONAL TRAINING AND EXPERIENCE**

12 **Q. PLEASE DESCRIBE EXHIBIT TC-4A.**

13 A. Exhibit TC-4A is a copy of my resume, which describes my professional training and
14 experience.

15 **III. PURPOSE OF TESTIMONY**

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

17 A. I will present testimony on the rate case expenses paid to date by the District for special
18 legal representation and to prosecute this appeal.

19 **Q. HAVE YOU INCLUDED OTHER EXHIBITS WITH YOUR TESTIMONY?**

20 A. Yes. I have included the following exhibits with my testimony: Exhibit TC-4A is a
21 copy of my resume.

1 **IV. RATE CASE EXPENSES**

2 **Q. WHY DOES THE DISTRICT SEEK RECOVERY OF ITS RATE CASE**
3 **EXPENSES?**

4 A. Rate case expenses are necessary expenses that the District cannot avoid in order to
5 justify its rates in an appeal of this type. The retail customers of the District have a right
6 to appeal the rates set by the District to the Commission. In an appeal, the District must
7 demonstrate that the rates it adopted were just and reasonable considering the
8 information available to the District at the time it made its decision. Because this is a
9 government-imposed cost, to the extent found reasonable and necessary to the
10 prosecution of that case, the Commission must permit the District to recover rate case
11 expense.

12 **Q. WHAT RATE CASE EXPENSES IS THE DISTRICT SEEKING TO RECOVER**
13 **IN THIS CASE?**

14 A. The District seeks to recover all of the reasonable and necessary costs incurred to
15 prepare and file its testimony in support of its rates, as well as those reasonable and
16 necessary post-filing costs incurred to prosecute the appeal to completion and final
17 decision by the Commission.

18 **Q. WHAT ITEMS ARE INCLUDED IN THE RATE CASE EXPENSES THAT THE**
19 **DISTRICT SEEKS TO RECOVER?**

20 A. A large portion of the rate case expenses that the District seeks to recover includes its
21 attorney's fees for legal services rendered to prepare evidence and testimony in support
22 of the District's rates and prosecute the appeal to completion and final decision before

1 the Commission. The District also seeks to recover its consultant and expert witness
2 fees, as well as travel and lodging costs and other eligible expenses.

3 **Q. PLEASE GENERALLY DESCRIBE THE YOUR LEGAL WORK TO**
4 **PREPARE EVIDENCE AND TESTIMONY IN SUPPORT OF THE**
5 **DISTRICT'S RATES AND PROSECUTE THE APPEAL IN THIS CASE TO**
6 **DATE AND THE TYPES OF EXPENSES THAT THE DISTRICT HAS**
7 **INCURRED.**

8 A. Since this appeal was filed by the District's retail customers, the legal work performed
9 on this case by my firm in this matter include without limitation:

- 10 a. Review of the Petition and conferences with the District's representatives to
11 develop legal strategy;
- 12 b. Conferences with the Commission staff regarding the appeal, including
13 responses to staff requests for information;
- 14 c. Travel to the District;
- 15 d. Legal research and analysis of the Protestants' challenges to the District's rates;
- 16 e. Conferences and correspondence with other attorneys representing the District
17 regarding legal strategy and case status;
- 18 f. Conferences and correspondence with expert witnesses and consultants;
- 19 g. Preparation for and attendance at multiple hearings, including hearings before
20 SOAH related to Protestants' appeal of the District's retail rates;
- 21 h. Drafting written discovery requests to the protestants and the Commission
22 Staff;

- 1 i. Preparation and response to written discovery requests propounded by the
2 Protestants and Commission Staff, including production of nearly 2000 pages
3 of documents;
- 4 j. Correspondence to and conferences with the District's staff and representatives
5 regarding case strategy and status;
- 6 k. Conferences with and correspondence to Protestants representatives regarding
7 discovery, various legal issues, settlement and other rate case issues;
- 8 l. Analysis of legal and factual issues for prefiled testimony;
- 9 m. Coordinating and drafting prefiled testimony for all District witnesses; and
- 10 n. Assembly and preparation of exhibits to be included with the District's prefiled
11 testimony.

12 This is by no means the complete list of tasks performed by attorneys, but is a
13 representative description of the tasks that attorneys have performed in this rate case.

14 **Q. HOW MUCH IN RATE CASE EXPENSES FOR LEGAL SERVICES FROM**
15 **YOUR FIRM HAS THE DISTRICT INCURRED AS OF JUNE 19, 2016?**

16 A, The District has incurred \$45,331.57 in fees, costs and expenses from the Carlton Law
17 Firm, P.L.L.C. through June 19, 2016. The total amount of attorneys' fees that will be
18 required to finish prosecution of the Rate Change Application is not known, but the
19 District will supplement its testimony as additional fees and expenses are incurred and
20 paid.

1 **Q. DO YOU HAVE AN OPINION REGARDING THE REASONABLENESS OR**
2 **NECESSITY OF THE AMOUNT OF RATE CASE EXPENSES THAT THE**
3 **DISTRICT HAS ALREADY INCURRED?**

4 A. Yes.

5 **Q. WHAT IS YOUR OPINION?**

6 A. It is my opinion that the attorneys' fees incurred and paid by the District through June
7 19, 2016, were reasonable and necessary to prepare, file and prosecute the District's
8 response to the appeal by its retail customers. I am familiar with the hourly rate charged
9 by attorneys for the types of work performed in this case. The hourly rates by the
10 attorneys engaged by the District are reasonable. Given the as the active participation
11 by the Protestants who appealed the District's rates, and the complexity of the legal and
12 factual issues, the amount of rate case expenses paid by the District to date, is
13 reasonable and necessary.

14 **Q. DOES THIS CONCLUDE YOUR PREFILED DIRECT TESTIMONY?**

15 A. With the exception of supplementing the rate case expenses as they are later incurred
16 and paid, it does.



John J. Carlton

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Curriculum Vitae

Education:

The University of Texas School of Law, Austin, Texas
J.D. , Law , 1988 — 1991

Activities and Societies: Environmental Law Journal

The University of Texas at Austin, Austin, Texas
B.A. , Biology , 1986 — 1988

Vanderbilt University, Nashville, Tennessee
Biology, Chemistry, Math , 1984 — 1986

Licensure: Licensed to Practice Law in the State of Texas - 1991

Practice Background: Extensive experience in municipal and local government law, including: creation, management and representation of special districts (various water districts, emergency services districts and others); representation of public and private clients in complex utility regulatory matters and contested proceedings (water, wastewater and electric retail and wholesale rates and service area disputes) before the Texas Commission on Environmental Quality and the Public Utility Commission of Texas; representation of general law and home-rule cities as general or special counsel; representation of public and private clients in administrative hearings before state agencies and in land use and planning proceedings before local governments; contract and interlocal agreement negotiation and drafting; drafting, adoption and enforcement of state and local government rules and regulations; municipal and local government financing through loans and lease-purchase agreements and general counsel components of the process related to issuance of bonds and notes; and, representation of public and private clients before the Texas Legislature.

Experience:

Managing Member, The Carlton Law Firm, P.L.L.C., February 2011 — present

Practice focused on representation of governmental entities, including emergency services districts, municipal utility districts, special utility districts, water control and improvement districts, and other utility companies as general counsel and special counsel in matters before State agencies, and representation of clients in utility rate, service area and permitting matters at the Texas Commission on Environmental Quality (TCEQ) and the Public Utility Commission (PUC), including water, wastewater and electric rate applications, applications for certificates of convenience and necessity (CCNs), representation of clients in land use and planning proceedings before local governments, and work as a lobbyist before the Texas Legislature.

Armbrust & Brown, L.L.P.

Partner, January 1999 — February 2011

Associate, May 1997 — December 1998

Represented cities and special districts, including emergency services districts, municipal utility districts, special utility districts, water control and improvement districts, as general counsel and in matters before State agencies. Represented clients in matters at the Texas Commission on Environmental Quality (TCEQ) and the Public Utility Commission of Texas (PUC), including water, wastewater and electric rate applications, applications for certificates of convenience and necessity (CCNs), water quality/wastewater treatment plant permits. Represented clients as a lobbyist before the Texas Legislature.

Associate Attorney, Strasburger & Price, LLP, September 1993 — May 1997

Associate Attorney in Real Estate and Environmental practice groups representing local government entities in Central Texas and clients before the TCEQ.

Staff Attorney, Texas Water Commission and successor, Texas Natural Resource Conservation Commission, August 1991 — September 1993

Staff Attorney for Water Quality, Water Rates and Hazardous Waste program areas. Participated in various permitting and rate hearings and enforcement matters.

Additional Information

Frequent speaker on topics related to emergency services districts, water and wastewater utility regulation (Rates and Certificates of Convenience and Necessity), general local government operation and management (special districts), and legislative matters affecting emergency services districts, water, wastewater and local government issues.

Member, Texas Section of the American Water Works Association, AWWA

Member, Texas Water Conservation Association, TWCA

Member, Texas Rural Water Association, TRWA

Member, Association of Water Board Directors, AWBD

Member and General Counsel, Texas State Association of Fire and Emergency Districts, SAFE-D

Member, State Firemen's and Fire Marshals' Association of Texas, SFFMA

Eagle Scout