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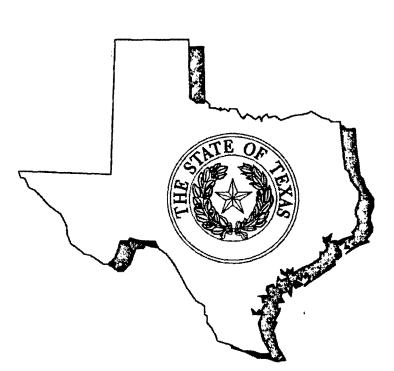
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SOAH DOCKET NO. 473-16-1836.WS PUC DOCKET NO. 45231

RATEPAYER'S APPEAL OF THE DECISION BY TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 TO CHANGE RATES BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS

PUBLIC UTILITY COMMISSION



DIRECT TESTIMONY OF ELISABETH ENGLISH WATER UTILITY DIVISION PUBLIC UTLITY COMMISSION OF TEXAS SEPTEMBER 20, 2016

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ATTACHMENTS:

Attachment EE-1

Resume of Elisabeth English

2 I. PROFESSIONAL QUALIFICATIONS

- 3 Q. Please state your name and business address.
- 4 A. Elisabeth English, Public Utility Commission of Texas, 1701 N. Congress Avenue, Austin,
- 5 Texas 78711-3326.
- 6 Q. By whom are you currently employed and in what capacity?
- 7 A. I have been employed by the Public Utility Commission of Texas (PUC or Commission)
- 8 since December 1, 2014, as an Engineering Specialist IV in the Water Utilities Division.
- 9 Q. What are your principal responsibilities at the Commission?
- 10 A. My responsibilities include: reviewing and processing applications to obtain or amend a
- certificate of convenience and necessity (CCN); Sale/Transfer/Merger (STM) applications;
- rate/tariff change applications; rate appeal cases; and participating in negotiating settlements
- and preparing testimony and exhibits for contested case matters involving investor-owned.
- 14 non-profit and governmental retail water and sewer utilities. In addition to these
- responsibilities, I am also assigned to several rule change and form projects at the PUC and
- provide technical and program support for temporary managers/receivers.
- 17 Q. Please state your educational background and professional experience.
- 18 A. I have provided a summary of my educational background and professional regulatory
- 19 experience in Attachment EE-1.
- 20 Q. Please explain how your previous experience relates to this docket.
- 21 A. My previous experience directly relates to the regulatory oversight of public water systems
- 22 (PWSs) in Texas. From March 2009 to August 2012, I was a PWS regional investigator for
- 23 the Texas Commission on Environmental Quality (TCEQ), and from August 2013 until
- November 2014, I worked in the TCEQ's central office in the Public Drinking Water

 Direct Testimony of Elisabeth English

 September 20, 2016 0000003

11 Q. On whose behalf are you testifying?

12 A. I am testifying on behalf of the PUC Staff (Staff).

13 II. PURPOSE AND SCOPE OF TESTIMONY

- 14 Q. What is the purpose of your testimony?
- 15 A. I will present Staff's recommendation for the rate design for the retail water and sewer 16 service provided to the ratepayers of Trophy Club Municipal Utility District ("Trophy Club" 17 or "MUD") in response to the rate appeal presented by the MUD's ratepayers on November 18 10, 2015.
- 19 My participation can be summarized as follows:
- 1. I reviewed the rate appeal and supplemental fillings by the Appellants and the City of Trophy
 Club (City) with respect to the criteria in the Texas Water Code (TWC) and the
 Commission's rules.

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- I reviewed the testimony provided by Mr. Chris Ekrut in his testimony on behalf of the MUD
 and the direct testimony of an intervenor, Mr. William Rose, on behalf of the MUD's
 ratepayers.
- 3. I have reviewed the pre-filed testimony and financial recommendations prepared by Mr.
 Andrew Novak.

Q. What is the basis of your recommendation?

TWC § 13.043(b), (c), and (d) state that any party to a rate proceeding before the governing body of a municipality may appeal the decision of the governing body to the Commission. An appeal under this subsection must be initiated within 90 days after the date of notice of the final decision by the governing body, by filing a petition for review with the Commission and by serving copies on all parties to the original rate proceeding. The Commission shall hear the appeal de novo and shall fix in its final order the rates the governing body should have fixed in the action from which the appeal was taken and may include reasonable expenses incurred in the appeal proceeding. The Commission may establish the effective date for the rates at the original effective date as proposed by the utility provider and may order refunds or allow a surcharge to recover lost revenues. The Commission may consider only the information that was available to the governing body at the time the governing body made its decision and evidence of reasonable expenses incurred in the appeal proceedings.

III. RATE DESIGN

- 20 Q. Please describe the MUD's retail water and sewer rates that are the basis of this appeal?
- 21 A. The MUD increased the retail water and sewer base rates and volumetric charges for all
- customers with an effective date of September 1, 2015. The MUD's rates can be summarized
- 23 as follows:¹

¹ Pre-filed Direct Testimony & Exhibits of Chris Ekrut, (Jun. 21, 2016) at 9 (Ekrut Testimony).

Water:	Previous Rate	Appealed Rate	
М	onthly Meter Charge		
¾ inch or less	\$12.71	\$12.99	
1 inch	\$16.71	\$20.39	
1 ½ inch .	\$26.42	\$32.23	
2 inch	\$28.06	\$46.43	
3 inch	\$65.23	\$79.58	
4 inch	\$104.04	\$126.93	
6 inch	\$201.06	\$245.29	
Volumetri	ic Charge (per 1,000 Ga	illons)	
0-6,000	-\$2.70	\$3.03	
6,001-17,000	\$3.14	\$3.53	
17,001-25,000	\$3.64	\$4.09	
25,001-50,000	\$4.23	\$4.75	
50,001 +	\$4.91	\$5.52	
Sewer:	Previous Rate	Appealed Rate	
Monthly Base (ALL)	\$14.58	\$15.35	
Volumetric Charge	(per 1,000 Gallons wat	er consumption)	
Residential - 18,000 Gallon cap	\$2.50	\$2.63	
Non-residential- No cap	\$2.50	\$2.63	

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3 Q. How did you analyze the retail water rate set by the MUD?

- A. I used the projected number of connections and the projected usage provided by the MUD, as provided in the testimony of Mr. Ekrut, and the cost of service recommendation provided by Mr. Novak.
- 7 Q. What test period did you use when preparing your testimony?
- A. I used the same test period provided by the MUD and the MUD's adopted budget for the Fiscal Year 2015 through 2016 (FY-2016), which was used to set the appealed retail water rate. Accordingly, I utilized the customer and volumetric projections as detailed in Mr. Ekrut's testimony in my analysis of the proposed rates.²
- 12 Q. What cost of service did you use in your review of the MUD's proposed rates?
- 13 A. I used the cost of service of \$5,074,661 for the MUD's retail water service and \$2,430,357

 14 for the MUD's retail sewer service, which was recommended by Mr. Novak in his pre-filed

 15 testimony. Mr. Novak agreed with the MUD's budgeted cost of service, of which the total

² Ekrut Testimony at 21 through 27 Section VI "Development of Billing Determinants".

1	amount was \$7,505,018. The cost of service incorporates the cost of providing retail water
2	service for both the MUD and Trophy Club Public Improvement District (PID). As detailed
3.	in Mr. Kevin Glovier's testimony, the MUD and the PID are not operated separately ³ ;
4	therefore, the cost of service includes the entire production, distribution, collection, and
5	treatment for the MUD and the PID. Furthermore, the rates charged to the MUD are
6	ultimately charged to the ratepayers of the PID.

Q. Does the MUD's rate design generate the cost of service, as presented by the MUD and Mr. Novak's testimony?

Yes. Based on the projected customers and volumetric usage for FY-2016⁴ the proposed rates generate the budgeted cost of service for the MUD, including the services provided to the PID.

Q. Explain the appealed rate design for retail sewer service?

All customers are charged a monthly base charge of \$15.35,5 which is an increase of \$0.776 from the previous base charge. The ratepayers are then charged a volumetric charge based on the actual amount water used at \$2.637 per thousand gallons, which is an increase of \$0.138 from the previous volumetric charge. The actual water used is the volumetric amount of water that passes through the water meter, and is reflected in both the water and sewer billed amounts. However, customers that are considered "Residential" are not billed for sewer usage above 18,000 gallons of actual retail water used. Customers that are considered "Non-residential" are charged for actual retail water used with no cap.

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³ Pre-filed Direct Testimony of Kevin Glovier, (Jun. 21, 2016) at 5.

⁴ Ekrut Testimony at 22 through 23.

⁵ Ekrut Testimony at 9.

⁶ Id.

⁷ Id.

⁸ Id.

Q. What is the basis for the 18,000 gallon cap on actual retail water used for sewer billing purposes?

The 18,000 gallon cap was determined, via a rate study conducted by an outside contractor (J. Stowe & Co. now operating as NewGen), by averaging the annual actual water usage per customer. This average was adopted following a rate study conducted in 2013.9

Q. Is it appropriate to charge for retail sewer usage based on the water consumption?

It can be appropriate to assign costs for unmetered, individual retail sewer usage via the metered potable retail water usage. The retail services, sewer and potable water, are not independent of each other and in this case, are provided by the same utility. The assumption for the cost allocation is that the water that passes through a potable water meter is then returned to the sewer system. This methodology does not allow for each ratepayer's outside water use which does not necessarily return to the sewer system. The method of charging for retail sewer service based on retail water consumption is more equitable for some retail public utilities than others in allocating the cost of service to ratepayers. This is dependent upon the amount of water used in the interior of the home versus outside the home, and the installation of irrigation meters within the potable water system which typically do not generate any sewer costs. For example, if the ratepayers' residences are primarily condominiums with little need for outside water use, then the interior water consumption is more likely to accurately reflect a ratepayers' individual discharge into the sewer system.

Q. Does the MUD have different customer classes?

16 TAC § 24.3 defines a customer class as a group of customers with similar cost of service characteristics that take utility service under a single set of rates. In Mr. Ekrut's testimony, he states that the MUD has only two types of customer classes, "In-District" or "Out-of-

⁹ Pre-filed Direct Testimony of Jennifer McKnight, (Jun. 21, 2016) at 9

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District". ¹⁰ Both the ratepayers within the boundaries of the MUD and of the PID are charged as "In-District" ratepayers. In Mr. Rose's testimony he states that there are two customer classes, "Commercial" or "Residential" which are differentiated by the sewer rate. ¹¹ I believe the use of an 18,000 gallon cap for retail, residential sewer service ultimately creates two groups of customers within the retail sewer ratepayers group when usage exceeds the 18,000 gallon cap, thereby creating a situation where the ratepayers are not uniformly charged for the usage.

- Q. Is there a difference in the retail water quality of the residential and non-residential customers?
 - Mr. Ekrut states that the water quality from all customers is of domestic strength, ¹² and in Mr. Rose's testimony he agrees with this statement. ¹³ I did not see any documentation provided in this appeal that would indicate otherwise. Therefore, the per-unit cost to treat the water discharged by a residential customer is the same as the cost for the MUD's non-residential
- Q. Is there a difference in the retail sewer cost of service for higher volumetric sewer users versus lower volumetric sewer users?
 - The overall cost of service for retail sewer service doesn't change based on groups of "high-users" or "low-users". However, the combined usage of all customers in conjunction with the cost to operate the sewer system determines the per-unit cost, which is the volumetric charge. Therefore, the cost of service is equitable for the amount used among all customers.

¹⁰ Ekrut Testimony at 20.

¹¹ Direct Testimony & Exhibits of William Rose, (Aug. 5, 2016) at 9 (Rose testimony).

¹² Ekrut Testimony at 35.

¹³ Rose Testimony at 11.

- 1 Q. Should the MUD's rate design include separate customer classes for residential and
- 2 non-residential customers?
- No, as stated above the water discharged by the MUD's customers is of equal quality;
- 4 therefore, the per-unit cost to treat the water discharged by a residential customer is the same
- 5 as for the MUD's non-residential customers.
- 6 Q. Is there an alternate way to charge for retail sewer service other than the actual water
- 7 used method employed by the MUD?

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Yes, the MUD could also make use of the fixed charge method or a winter months' average method without the use of individual sewer meters. The fixed charge method would divide the budgeted cost of service between the projected number of connections for the budgeted year. However, this method does not encourage conservation nor is it reflective of the equity of use. The winter months' average method, as discussed in Mr. Ekrut's¹⁴ and Mr. Rose's¹⁵ testimonies, would utilize the average actual retail water used for November, December, and January for each ratepayer. This average is then used to determine the number of units to be charged per customer, per month for the remainder of the year. The winter months' average method can be used to offset the increase in outdoor water usage during the hotter summer months, and can be a more accurate representation of indoor water use and the actual water discharged by each customer. However, this method lacks a conservation encouragement for summer months as the monthly charge will remain consistent throughout the year independent of the actual water discharged.

¹⁴ Ekrut Testimony at 33 through 34.

¹⁵ Rose Testimony at 16.

Q. What could be the impact on the MUD's retail sewer ratepayers if the sewer rate design was changed to "winter months' average" from sewer rates based on potable water consumption?

As the cost of providing retail sewer service remains unchanged, including the portion that is fixed and charged through the sewer base charge, the per-unit charge will have to be increased to accommodate the reduction in per-unit charges collected via the winter months' average method. The lower-end retail water users, annually, will see a slight increase in their sewer bill due to the per-unit adjustment. The MUD residential ratepayers that are higherend retail water users during the summer months, due to outdoor water usage such as irrigation or filling a personal pool, will see an annual decrease in their retail sewer bills following a switch to winter month averaging. The MUD residential, and commercial customers, that use more than 18,000 gallons in the winter months, will see an increase in their bill. The extent of the increase will be dependent on the average usage for the particular customer. However, the MUD's cost per ratepayer for providing retail sewer service will more accurately reflect the level of individual discharges into the sewer system. Furthermore, the assignment of cost responsibility to each customer on a monthly basis should be more accurate.

Q. Is the retail sewer rate and rate design unreasonable or discriminatory?

It is my opinion that the retail sewer rate is in itself not unreasonable. It recovers the appropriate cost of service from the ratepayers. However, the application of this rate design does indicate unreasonableness based on the rate differential between residential ratepayers that consume less than 18,000 gallons, residential ratepayers that consume more than 18,000 gallons, and non-residential customers. The current rate differential is unsupported by a difference in the cost of service for each group, due to the similar water quality that is

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discharged into the sewer system, and does not appropriately allocate per-unit costs between ratepayers by reflecting interior water use accurately. The annual average water consumption was approximately 18,000 gallons when the rate design went into effect; however, the winter months' average based on FY-2016 billing totals was approximately 7,225 gallons. The difference between retail water consumption in the annual average and the winter months' average indicates heavy outdoor water usage. Therefore, it is my opinion that the rate design, as applied to the usage of the MUD, is unreasonable. As stated previously, the application of using a per-unit charge based on water consumption can be an equitable way for some utilities to allocate costs to their ratepayers. However, in the case of the MUD the per-unit charge, in conjunction with the cap for only residential customers, is not a reasonable method for allocating costs, and arbitrarily assigns customers classes, in my opinion.

Q. Do you have any other concerns regarding the equity of the MUD's costs currently being passed on to the ratepayers?

Yes. The rate design, as applied, assumes that a residential ratepayer rarely discharges greater than 18,000 gallons into the sewer system and that any excess of 18,000 gallons in consumption can be attributed to outside water use. As discussed above, the winter months' average of water consumption can be a more accurate representation of indoor water use and the actual water discharged by each ratepayer. When reviewing the FY-2016 actual usage during the months of December, January and February approximately 170 ratepayers out of 4105 used, on average, more than 18,000 gallons per month. Although this is a small percentage of the residential users, approximately 4%, the total gallons (on average) which were not billed for sewer use is approximately 4,000,000 gallons. For example, the highest residential user had a billed usage of 109,333 gallons, which equates to a charge of \$0.0004 per 1000 gallons due to the 18,000 gallon cap for residential charges. Since it is reasonable

¹⁶ Ekrut Testimony at Schedule TC-5H

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to assume that the average winter water consumption is a more accurate reflection of sewer use than actual water consumption per month, particularly in the summer months, then it is my belief that the current rate design provides a subsidy for the residential users that exceed 18,000 gallons water consumption during the winter months and furthers my belief that the rate design is unreasonable.

IV. RECOMMENDATIONS

7 Q. Do you have a recommendation regarding the MUD's appealed rates?

Yes. My analysis found that the rate increases for both retail water and sewer services, as adopted by the MUD, is supported based on Mr. Novak's cost of service. However, the retail sewer rate design inappropriately creates two customer classes within the MUD's ratepayers that do not have a different cost of service. In the alternative, I recommend that the MUD employ the winter months' average method. As stated previously, the application of using a per-unit charge based on water consumption can be an equitable way for some utilities to allocate costs to their ratepayers. However, in the case of the MUD the per-unit charge, in conjunction with the cap for only residential customers, is not a reasonable method for allocating costs, and arbitrarily assigns customers classes, in my opinion.

The table below illustrates a comparison of the current rate design and my recommended design based on winter months' average, which Mr. Ekrut also presented in his testimony.¹⁷

Base Charge for all Customers	\$15.35
Per 1,000 Gallon	\$3.75
(based on average consumption Dec/Jan/Feb)	

The winter month average rate design generates \$2,431,136 based on the projected number of sewer customers for FY-2016 of 4,268 and the projected volumetric billing of 439,150,000 gallons for all customers. The volumetric billing estimate appears to be based upon actual average consumption of 4105 residential MUD and PID customers for FY-2016 during the

¹⁷ Ekrut Testimony at 34.

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winter months, 20,195,269 and 9,464,579 gallons respectively. The total of the monthly averages for the MUD and the PID, multiplied by 12 months calculates to 355,918,176 2 gallons annually. The total projected volumetric billing includes the projected commercial sewer flow of 83,232,000 gallons.

Will your recommendation have any impact on customer billing? Q.

The impact is dependent on the individual ratepayer and winter month usage. The records 18 provided by the MUD showing residential average usage for the winter months had a wide range of usage from 1,333 gallons per month up to 109,333 gallons per month. However, the FY-2016 the average usage for a residential customer is approximately 7,225 gallons per month. The table below illustrates the difference in sewer charges for low, mid, and high ratepayers using the winter months average method versus the 18,000 Cap.

	3,000G	7,000G	15,000G	25,000G	30,000G
Winter Avg	26.60	41.60	71.60	109.10	127.85
18,000 Cap	23.24	33.76	54.80	62.69	62.69

The impact on residential ratepayers will be the greatest for the users who, on average, use greater than 18,000 gallons per month on average in the winter months. From the records provided, approximately 170 ratepayers out of 4,105 (total ratepayers) used, on average, more than 18,000 gallons per month.

Do you have any alternative recommendations regarding the rate design? Q.

In the alternative of using the winter months' average method for calculating sewer rates, the MUD should remove the 18,000 gallon cap that is applied to residential users and adjust the per-unit cost accordingly by dividing the variable cost of service (volumetric revenue) by projected annual water consumption units (\$1,646,594/1,031,717). The base rate would remain the same, but the volumetric charge for sewer would be reduced to \$1.60 per 1000

¹⁸ Ekrut Testimony at Schedule TC-5H and Trophy Club Response to Ratepayers First Request for Information Question Nos. Ratepayer 1-1 through 1-12 (May 23, 2016) at 108 through 285.

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gallons of water consumed. It is my opinion that the winter months' average method is more equitable method for calculating each ratepayer of the MUD's fraction of the cost of service for retail sewer; however, the elimination of the 18,000 gallon cap removes the unreasonable distribution of cost between the MUD's residential ratepayers that consume less than 18,000 gallons, residential ratepayers that consume more than 18,000 gallons, and non-residential customers.

7 Q. Do you have a recommendation regarding customer refunds?

A. Yes. Pursuant to 16 TAC § 24.29(h), unless the parties agree otherwise, the utility must "refund or credit against future bills all sums collected in excess of the rate finally ordered plus interest as determined by the Commission in a reasonable number of monthly installments." This difference should be refunded over the number of months the proposed rates were collected, which cannot be determined until the Commission issues a final decision in this case. The MUD should also be ordered to file quarterly refund reports with the Commission's Central Records Office until all refunds have been fulfilled.

15 IV. CONCLUSION

- 16 Q. Does this conclude your direct, pre-filed testimony?
- Yes, but I reserve the right to supplement this testimony during the course of the proceeding as new evidence is presented.

Attachment EE-1

Elisabeth English Resume

ELISABETH M. ENGLISH

PROFESSIONAL EXPERIENCE

The Public Utility Commission of Texas, Water Utilities Division, Austin, TX

Ingineering Specialist IV

December 2014-Present

A technical expert on a broad range of water and sewer utility issues. Work primarily involves reviewing petitions of various parties to the Commission and providing analyses and recommendations regarding the sufficiency, accuracy, and technical specifications of those filings.

- Providing technical assistance and rule interpretations to the public and PUC Staff related to water and sewer utilities.
- Assisting in the creation of Staff guidance documents and administrative rulemakings.
- Preparing written testimony, technical reports, and memoranda supporting staff conclusions regarding the merits of water and sewer applications seeking relief from the Commission.

University of Texas - Arlington, Business Development Division, Austin, TX

Jatural Resource Specialist

August 2013 November 2014

A representative for the University of Texas-Arlington working with the Texas Commission on Environmental Quality (TCEQ) in the Public Drinking Water Section specializing in rule interpretation and regulatory guidance material for the Drinking Water Quality team.

- Refined the project management of multiple drinking water quality programs to meet regulatory requirements.
- Created regulatory guidance materials and tools to assist the regulated community with compliance, including presentations and workshops.
- Performed an in-depth analysis of all drinking water quality regulations.
- Improved multiple Standard Operating Procedures to standardize workflow, increasing the efficiency of the program.

Texas Commission of Environmental Quality, Region 12, Houston, TX

invironmental Investigator III

March 2009 August 2012

A government agent responsible for inspecting and investigating public water systems in Houston and the 12 surrounding counties to verify compliance with the Safe Drinking Water Act (SDWA).

- Evaluated, analyzed, and summarized evidence and investigative findings into written reports related to complaints of complex public water systems. All reports were published for public record.
- Provided professional and administrative support to water consumers and investigated claims of misconduct under the jurisdiction of the TCEO Office of Water.
- Implemented a Quality Assurance and Quality Control process for complaint investigation reports.
- Created a multi-tiered system for quality assurance for complaint investigation reports.
- Conducted yearly skill tests for a team of 12 investigators to demonstrate competence with equipment and instruments.

EDUCATION

Texas State University, San Marcos, TX

achelor of Science, Major in Biology & Minor in English

2003-2008

- <u>Undergraduate Research Assistant at San Marcos National Fish Hatchery</u>: Assisted with the execution of a research proposal under the supervision of Dr. C. Phillips (San Marcos National Fish Hatchery) and Dr. T. Bonner (Texas State University).
- <u>Biology Computer Lab Supervisor and Tutor</u>: Managed the operation of the Biology Computer Lab (Texas State University) including work schedules, bi-yearly reports, and supervising up to four other student assistants. Provided tutoring to biology undergraduate students.

TRAINING & ACTIVITIES

- Occupational Safety and Health Administration/Hazardous Materials certified (40 hours)
- National Incident Management System Emergency Response certified
- Environmental Protection Agency Sanitary Survey Training
- Participation in Texas Water Infrastructure Coordination Committee (TWICC)