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RATEPAYERS' APPEAL OF THE §
DECISION BY THE CITY OF FRITCH §
TO CHANGE RATES §

BEFORE THE STATE OFFICE OF
PUBLIC STATE UTILITIES §
ADMINISTRATIVE HEARINGS

DIRECT TESTIMONY
OF
DARLA HARRIMAN

ON BEHALF OF
PETITIONERS IN THIS CAUSE

JUNE 4, 2016

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**DIRET TESTIMONY OF
DARLA HARRIMAN**

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Testimony on behalf of Petitioners

A. History of the issues behind city officials focus on tax and utility rate increases:

As many know, previous city officials and personnel employed by the City of Fritch were responsible for theft of thousands of dollars from city funds, leaving over \$400,000 debt behind for the city to deal with. Larry Anderson with J.W. Anderson & Associates (auditors previously engaged by the city) stated during the January 21, 2014 City Council Meeting, "The General fund was borrowing from the Water/Sewer funds and consequently not enough was left to pay the debt and accounts payable." In the years before and the years since that mishandling and theft of funds, the water system has NOT operated at a loss. There has been no loss of revenues to support the water system operations, only water rate increases to help get the city out of debt.

B. CO Debt and Promissory Note for water system not registered with the State:

When the Hi Texas Water system was purchased by the City of Fritch in October 2011, a loan approved by the Texas Water Development Board (TWDB) in the amount of \$1,160,000 for purchasing the water rights was not used by the City Manager at that time. The CO Debt negotiated for the purchase was not registered through the State, as is normal for large value loans and/or Certificates of Obligation. The Promissory Note added in this negotiation was to be used for system upgrades. The maintenance schedule previously in place for this system seemed to be dropped or overlooked by city utility personnel as low priority since the system was operational and providing adequate water to the outside city limits customers.

C. Reactive Maintenance doesn't allow costs to be spread out over a longer period:

When the primary pump on the Hi Texas Water system burnt out at the end of May 2013 – leaving many outside city limits residents without sufficient water to shower or do laundry over that Memorial Day weekend, the Public Works Manager, Aaron Zink stated to several local reporters that the city had spent thousands of dollars on upgrades to the system since it was purchased. However, the high number of work orders for managing water leaks during the 2014-15 year indicated said upgrades were not actually performed. May 2015 Disaster Relief Funds in the amount of \$350,000 were granted to the City of Fritch to help with clean-up/recovery from the May 2014 wildfire. \$83,780 of

those funds was used to purchase 3 booster pumps. A booster pump in the Fritch Fortress area which had overheated while fighting the fire in May 2014 was replaced. Another booster pump in the Sage Mesa area (which wasn't affected by the wildfire) was replaced with Disaster Relief Funds. Both of these areas are part of the system previously known as Hi Texas Water Corporation. Most leaks and repairs are handled on a reactive basis instead of proactive with a Preventative Maintenance Schedule to replace weak or failing transmission lines or pumps (which could be scheduled during warm weather months to help reduce or avoid reactive work during cold weather).

D. Water Usage Decreases as Rates Increase:

From Fiscal Year End period 2012-2013 to Fiscal Year End period 2013-2014, Fritch utility employee salaries decreased about 25%. However, from Fiscal Year End period 2013-2014 to Fiscal Year End period 2014- 2015, utility salaries increased about 11%. During this same time frame, reports from the Texas Water Development Board show significant decrease in water usage for the City of Fritch:

	Population	Residential Net Usage	Gal per Capita Daily
2012	2143	463 Acre-Foot	192
2013	2073	257 Acre-Foot	111
2014	2076	(this data not currently available on TWDB site)	

One Acre-Foot = 325,351 gallons water

Public Works Director, Cody Bengé reported in March 2015 City Council Meeting he had recently attended a Groundwater Conservation meeting – stating “They were surprisingly happy with us as our water usage is down.” Though there haven’t been any water conservation classes or efforts (to my knowledge) to encourage residents in the area to use water wisely, the reduction in water usage could be attributed to the higher water rates and some residents seeking alternative water sources (like drilling their own wells) other than the city water systems. 2015 water usage would have been down from the 78.505% increase in precipitation (annual precipitation average for our area of 19.4” was 34.6” in 2015). We have had less water usage, higher revenues, and higher salaries for employees for the City of Fritch over the past two (2) years. Base water rates were increased 57.14% during the 2014-2015 Fiscal Year, and increased another 51.52% for the 2015-2016 Fiscal Year for outside city limits residents.

E. Rate Increases represent what percentage of Water Revenues:

Though a 10% increase in utility revenues from previous months was noted by the City Manager in the December 2013 City Council Meeting, a \$12 surcharge was added to all water meters effective January 1, 2014 by the City of Fritch to help with catching up on the 2011 CO Debt (after multiple payments were missed). Approximately 18%-20% of water revenues reported for year-end September 30, 2014 came from that \$12 surcharge added to water meters from January 1, 2014 through September 30, 2014. Approximately 25%-26% of water revenues reported for Fiscal year-end September 30, 2015 came from the \$12 water rate increase (no longer called a surcharge) initiated

October 1, 2014. Financials to calculate the \$17 water rate increase as a percentage of 2015-2016 Fiscal Year should reflect a similar or higher percentage of actual water revenues.

F. Other Debt/Expenses paid from Water Fund:

Expense detail coded to the Water Fund (20) in City of Fritch Fiscal Year 2014-2015 financial information shows \$184,980.63 was paid to the Bank of New York for 2003 CO Payments (which is the CO Debt incurred for Sewer System upgrades). Funds for the 2003 CO Debt were supposed to be derived and paid from Ad Valorem/Property Taxes, not from the Water Fund, as City Council Members and other city personnel had stated during City Council Meetings. Expense detail also shows some of the monthly payments for the 2011 CO Debt were made from the Water Fund (20) and some were from the Debt Services Fund (25) during the 2014-2015 Fiscal Year – with the only consistency seemingly being availability.

G. How Fritch water rates compare to area cities:

Water rates across the Texas Panhandle went up last year, but at smaller incremental increases than for the City of Fritch. The chart below compares rates for outside city limits water rates as the different city websites showed (TCW Supply was contacted personally for the rate information) effective 10/01/2015:

LOCAL WATER RATES

<u>City</u>	<u>Outside City Limits meters</u>	<u>Tier bases</u>	<u>Based on Avg 5000 gals Usage</u>
Fritch (first 2,000 gal. usage included in base rate)	\$50.00	0-2,000 gallons	\$61.04
	+3.68	2,001-12,000 gal	
	+4.13	12,001-50,000 gal	
Borger TCW Supply f/outside city limits	\$22.79	Base Mtr chrg + usg	\$34.69
	+2.38 /1000	per 1,000 gal usage	
Amarillo	\$19.10	0-3,000 gallons	\$25.92
	+ 3.41 /1000	3,001 - 10,000 gal	
	+ 4.46 /1000	10,001 - 30,000 gal	
Claude & Panhandle use Amarillo rates			
Stinnett	\$15.50	0-3,000 gallons	\$22.00
	3.25 /1000	over 3,001 gal	
Spearman	\$18.00	0-3,000 gallons	\$21.50
	+1.75 /1000	3,001-10,000 gal	
Clarendon	\$22.40	0-2,000 gallons	\$32.15
	+3.25 /1000	2,001-5,000 gal	
	+4.87 /1000	5,001-8,000 gal	

5

Pampa	\$23.34		0-2,000 gallons	\$38.7
	+5.14	/1000	2,001-10,000 gal	

NOTE: Clarendon and Pampa base rates include the first 2,000 gallons usage, which is consistent for inside city limits meters. Unlike Fritch base rates including the first 3,000 gallon usage to inside city limits meters and the first 2,000 gallons for outside city limits meters.

A recent survey posted by the Texas Municipal League for costs of water for other cities our size shows Fritch well above the average:

2016 Texas Municipal League Survey of Texas Cities

Residential Water

Population Group	City Population	Fee For		Total Customers
		5,000 Gal.	10,000 Gal.	
Nixon	2,459	15.45	23.70	925
Waller	2,454	27.50	52.50	1,046
Anahuac	2,316	27.50	61.00	894
Olton	2,288	34.00	55.00	877
Hale Center	2,267	33.42	42.67	804
Yorktown	2,264	19.10	26.60	1,204
Palmer	2,258	57.20	83.45	800
Fritch	2,235	60.44	77.84	2,097
Jefferson	2,199	45.50	64.25	1,195
Waskom	2,187	38.00	56.75	1,054
Kirbyville	2,181	26.00	33.50	879
Italy	2,166	32.80	58.30	729
Weimar	2,151	23.79	33.89	1,037
Huntington	2,136	39.05	62.60	964
Troup	2,130	32.94	53.54	911
Shiner	2,128	16.40	25.05	1,210
Mason	2,114	28.00	38.00	1,222
Meadowlakes	2,104	25.25	34.25	890
Pinehurst	2,097	22.50	36.50	875
Van Horn	2,063	26.75	43.00	997
Albany	2,043	41.20	65.70	1,279
Shamrock	2,028	20.00	30.00	1,312
Clarendon	2,026	32.15	57.16	866
Morton	2,006	37.00	52.00	826
2,001 - 5,000	Averages	35.38	56.05	1,308

(6)

NOTE: The customer count for Fritch is larger compared to the population in the information above due to two separate water systems managed by the city. (These two systems are not tied together, as yet.) The number of meters reported in the City of Fritch testimony (935 inside, 1150 outside effective 9/30/2015) indicates a 44%-45% inside and 55%-56% outside split on average.

H. Closing:

City officials reported the past due amount on the 2003 CO Debt was paid off in March 2016, and the past due amount on the 2011 CO Debt (for the Hi Texas Water system purchase) was paid off in April 2016. Though debt expense was used in calculating the higher rates, water rates have not been reduced as those past due items were paid off. We have no guarantee that an increase in water rates won't happen again for the 2016-2017 Fiscal Year without help from the Public Utility Commission and the State Office of Administrative Hearings (or SOAH Judge) to help establish rates as fair and reasonable for all classes of customers.

Though this testimony may not follow the normal format or content submitted by legal representatives, the petitioners outside the city limits of Fritch respectfully ask that you please consider this information in your decision regarding our protest and your review of the current water rates.

Respectfully submitted on behalf of Petitioners
against the city of Fritch in this cause,



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