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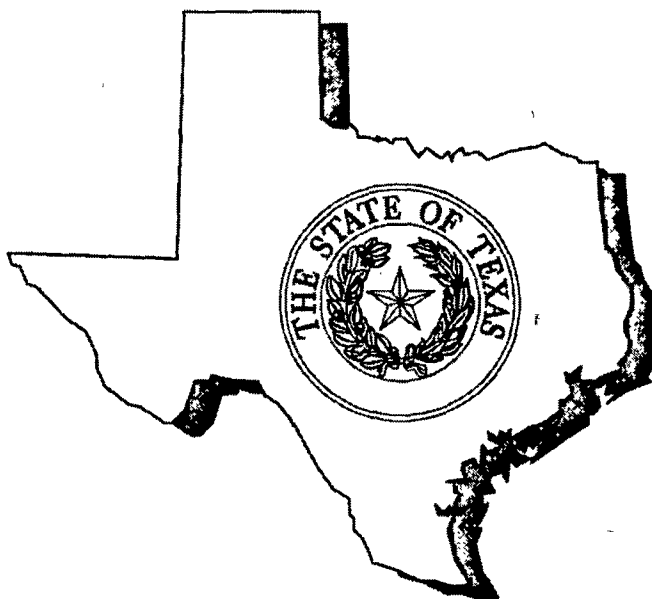
Addendum StartPage: 0

SOAH DOCKET NO. 473-16-1834.WS
PUC DOCKET NO. 45283

RATEPAYERS' APPEAL OF THE
DECISION BY NORTH SAN SABA
WATER SUPPLY CORPORATION
TO CHANGE RATES

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BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE
HEARINGS



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DIRECT TESTIMONY OF
SEAN SCAFF
WATER UTILITY
DIVISION
PUBLIC UTILITY
COMMISSION OF TEXAS

April 22, 2016

SOAH Docket No. 473-16-1834.WS

PUC DOCKET NO. 45283

TABLE OF CONTENTS

I.	PROFESSIONAL QUALIFICATIONS.....3
II.	PURPOSE AND SCOPE OF TESTIMONY.....4
III.	RECOMMENDATION.....5
IV.	CONCLUSION9

ATTACHMENTS

Attachment SS-1	Resume of Sean Scaff
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2 **Q. Please state your name and business address.**

3 A. Sean Scaff, Public Utility Commission of Texas, 1701 N. Congress Avenue, Austin, Texas
4 78711-3326.

5 **Q. By whom are you currently employed and in what capacity?**

6 A. I have been employed by the Public Utility Commission of Texas (PUC or Commission)
7 since May 1, 2015, as an Engineering Specialist IV in the Water Utilities Division. I was
8 previously employed by the Texas Commission on Environmental Quality (TCEQ) from
9 December 1, 2009 to April 30, 2015, as a drinking water specialist.

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11 **Q. What are your principal responsibilities at the Commission?**

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13 certificates of convenience and necessity (CCNs); review and processing of sale, transfer,
14 merger (STM) applications; as well as reviewing rate filings; participating in negotiating
15 settlements; and preparing testimony and exhibits for contested case matters involving
16 investor-owned, non-profit and governmental water and sewer utilities.

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 SS-1 to my direct testimony.

20 **Q. Have you testified as a regulatory technical expert before the Commission or the State
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22 A. No. At this time I have not previously filed testimony as a regulatory expert.

23 **Q. On whose behalf are you testifying?**

24 A. I am testifying on behalf of the Staff of the Public Utility Commission (Staff).

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2 **Q. What is the purpose of your testimony in this proceeding?**

3 A. I will present Staff's recommendation for the rate design for water service regarding the
4 rate appeal of North San Saba Water Supply Corporation's (NSS WSC) customers
5 (Applicant).

6 **Q. Explain the scope of your participation in the present proceeding.**

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8 1. I reviewed the rate appeal and supplemental filings by the Applicant with respect to
9 the criteria in the Texas Water Code (TWC) and the Commission's rules.

10 2. I analyzed the annual usage provided by NSS WSC in their request for information
11 responses and designed a rate to recover the revenue requirement recommended by
12 Mr. Bednarski in his testimony.

13 3. I will also recommend the rate design for recovery of rate case expense and for
14 customer refunds.

15 **Q. What test year did you consider when preparing your testimony?**

16 A. The Applicant provided water usage data for the 2014 and 2015 calendar years. I used the
17 test year January 1, 2014 to December 31, 2014 for the rate design (NSSWSC response to
18 staff's 1st RFI Bates stamp NSSWSC 000003-000003).

19 **Q. How many customers did NSS WSC have at the end of the test year?**

20 A. According to the responses to requests for information (RFIs), there were 293 active
21 connections (NSSWSC response to staff's 1st RFI Bates stamp NSSWSC 000141-000144).

22 **Q. What connection count did you use in your analysis and calculations?**

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3 **Rate Design**

4 **Q. How did you analyze the water rate set by North San Saba?**

5 **R. How did you analyze the water rate set by North San Saba?**

6 **A.** I used the number of connections at the end of the test year, the water production/billed
7 worksheet provided by the utility, and the revenue requirement provided to me by Mr.
8 Bednarski. I then determined the rate I would recommend based on Mr. Bednarski's cost
9 of service and compared it to the rate set by NSS WSC. The rates set by NSS WSC are
10 higher than what I would recommend.

11 **Q. Please describe NSS WSC's retail water rate that is the basis of this appeal?**

12 **A.** NSS WSC has increased retail water rates for residential users to a base rate of \$82.00
13 from \$70.00 per month, which included zero gallons paid for in the base rate. NSS WSC
14 has also increased the gallonage rates for water usage as follows:

15 \$2.70 per 1,000 gallons for the first 4,000 gallons (no change from previous rates);
16 from \$3.38 to \$5.07 per thousand gallons from 4,001 gallons to 8,000 gallons;
17 from \$4.05 to \$7.09 per thousand gallons from 8,001 gallons to 20,000 gallons; and,
18 from \$4.73 to \$9.46 per thousand gallons over 20,000 gallons.

19 **Q. Has NSS WSC provided any water consumption information?**

20 **A.** Yes; however, portions of the information were inconsistent and appeared to be
21 inaccurate (NSSWSC response to staff's 1st RFI Bates stamp NSSWSC 000141-000144).
22 As such, I used the monthly gallons billed totals for the test year (NSSWSC response to
23 staff's 1st RFI Bates stamp NSSWSC 000141-000144). I have attached a copy of the
24 water consumption reports provided by NSS WSC in the attached work papers.

1 **Q. What revenue requirement did you use in your review of NSS WSC's proposed rates?**

2 A. I used the annual revenue requirement of ~~\$354,500.53~~ \$378,500.53 for water, based on the
3 adjustments to the cost of service recommended by Mr. Bednarski.

4 **Q. How did you calculate the total revenue that would be generated by the proposed**
5 **gallage charge?**

6 A. I calculated the revenue generated by the gallage charge by utilizing the usage provided
7 in Mr. Roger Whatley's testimony and work papers provided therein. As NSS WSC was
8 not able to provide the total number of gallons used in each tier level (NSSWSC response
9 to staff's 1st RFI Bates stamp NSSWSC 000141-000144), I chose to use the total
10 gallons sold of 26,398,850 gallons and the meter count of 293 meters from the monthly
11 billing totals and the individual customer usage provided by NSS WSC and Mr. Whatley
12 to calculate a percentage of usage for each tier (NSSWSC response to staff's 1st RFI
13 Bates stamp NSSWSC 000307-000327). For example, approximately 42% of the
14 customers fall into the 0-4,000 gallons per month usage rage, 28% use between 4,001-
15 8,000 gallons, 22% use between 8,001-20,000 gallons, and 8% used 20,000 gallons or more
16 per month. I then used these percentages to approximate the gallage used at each tier
17 level using the total gallons sold to develop a gallage charge that would align with the
18 variable water costs in Mr. Bednarski's testimony and provide a rate structure comparable
19 to the rate structure appealed in this case.

20 **Q. How did you calculate the total revenue that would be generated by the proposed base**
21 **rates?**

22 A. I took the fixed costs of the system from Mr. Bednarski's testimony and divided it by the
23 total number of connections, and then by twelve months within a year. It is important to

1 note that the testimony provided by Mr. Whatley utilized only 270 connections (NSSWSC
2 response to staff's 1st RFI Bates stamp NSSWSC 000307-000327). However, the
3 RFI response which provided month billings showed a meter count of 293. I chose to
4 utilize the 293 metered connections. Considering this, the fixed water costs provided by
5 Mr. Bednarski of ~~\$253,329.04~~ \$277,329.04 divided by 293 connections, divided by twelve
6 months generates ~~\$72.05~~ \$ 78.88 per month per connection.

7 **Q. What would be the total revenue generated by the base rates and the gallonage**
8 **charges?**

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1 Q. What are your recommended rates?

2 A.

Minimum Bill including zero gallons		Gallage Rates per 1,000 gallons	
Meter Size	Rate	Gallage	Rates
5/8"	\$72.05 \$78.88	0-4,000	\$2.70
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1 1/2 "	\$172.50 \$197.20	8,001-20,000	\$4.90 \$5.00
2"	\$345.00 \$394.40	20,000 +	\$5.58 \$6.00
3"	\$552.00 \$631.04		

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4 Q. Do you have a recommendation regarding NSS WSC's proposed conservation rates?

5 A: The Commission generally prefers tiered rates as this helps to promote conservation;
6 therefore, I recommend that conservation rates be allowed. However, the rates proposed
7 by NSS WSC over-generate according to the variable costs developed by Mr. Bednarski.
8 To alleviate the over-generation, and establish a rate that is just and reasonable and not
9 preferential, I recommend the rates in the above table.

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

11 A. Yes, under 16 TAC § 24.29(h), unless the parties agree otherwise, the utility must "refund
12 or credit against future bills all sums collected in excess of the rate finally ordered plus
13 interest as determined by the Commission in a reasonable number of monthly
14 installments." This difference should be refunded over the number of months the proposed
15 rates were collected, which cannot be determined until the Commission issues an order in

1 this case. NSS WSC should also be ordered to submit quarterly refund reports to the
2 Commissions Office of Enforcement until all refunds have been fulfilled.

3 **Rate Case Expenses**

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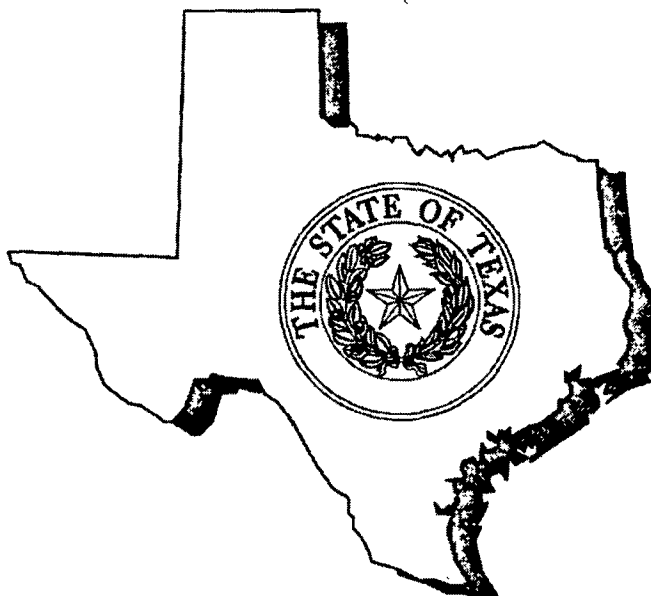
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