



Control Number: 45720



Item Number: 111

Addendum StartPage: 0

RECEIVED

PUC DOCKET NO. 45720  
SOAH DOCKET NO. 473-16-3831:2016 SEP 27 PM 2:07

APPLICATION OF RIO CONCHO	§	BEFORE THE STATE OFFICE
AVIATION, INC. FOR A	§	FILING CLERK
RATE/TARIFF CHANGE	§	OF
		ADMINISTRATIVE HEARINGS

REBUTTAL TESTIMONY  
OF  
BARBIE BRUNSON

ON BEHALF OF  
RIO CONCHO AVIATION, INC.

EXHIBIT RCA-6

SEPTEMBER 27, 2016

121

## **REBUTTAL TESTIMONY OF BARBIE BRUNSON**

### **TABLE OF CONTENTS**

I.	INTRODUCTION .....	.....3
II.	REBUTTAL TO NOVAK TESTIMONY .....	.....3
III.	REBUTTAL TO ENGLISH TESTIMONY .....	.....4
IV.	REBUTTAL TO LOOCKERMAN TESTIMONY .....	.....6
V.	CONCLUSION.....	.....10

1                                   **REBUTTAL TESTIMONY OF BARBIE BRUNSON**

2                                   **I.     INTRODUCTION**

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

4     A.     My name is Barbie Brunson. My business address is 221 West Hill Dr., Aledo, TX  
5             76008.

6                                   **II.     REBUTTAL TO NOVAK TESTIMONY**

7     **Q.     WHAT RESEARCH DID YOU UNDERTAKE TO DETERMINE THE**  
8             **INTEREST RATE FOR A POSSIBLE LOAN FOR RIO CONCHO?**

9     A.     I contacted my local bank where we have the Rio Concho accounts.

10    **Q.     WHAT INTEREST RATE WOULD BE APPLIED TO A RIO CONCHO LOAN?**

11    A.     I can obtain a loan for Rio Concho between the rates of 7.58% and 17.7%.

12    **Q.     WHEN DID YOU ACQUIRE THE WATER SYSTEM?**

13    A.     We purchased the water system in 1995.

14    **Q.     HOW DID YOU FINANCE THE PURCHASE?**

15    A.     We paid cash for the purchase.

16    **Q.     WHAT IMPROVEMENTS HAVE YOU MADE THAT REQUIRED**  
17             **FINANCING SINCE YOU ACQUIRED THE WATER SYSTEM?**

18    A.     We have not had to finance any system improvements since purchasing the water  
19             system.

1                                    **III.        REBUTTAL TO ENGLISH TESTIMONY**

2    **Q.        PLEASE DESCRIBE THE RIO CONCHO WATER SYSTEM?**

3    A.        The Rio Concho water system is classified as a non-transient non-community water  
4               system under the Texas Commission on Environmental Quality rules. Although we  
5               assume there are some residential customers, Rio Concho's water system mainly serves  
6               aircraft hangars and commercial businesses. Rio Concho's water customers cannot be  
7               classified as a typical household.

8    **Q.        PLEASE DESCRIBE HOW YOU USE THE OFFICE EQUIPMENT THAT MS.  
9               ENGLISH REMOVED FROM THE RATE BASE FOR THE WATER SYSTEM.**

10   A.        Ms. English excluded a bookcase ("sideboard"), television, DVD player and lamp that  
11               are located in Rio Concho's office at 419 Aviator Drive. All of these assets are used by  
12               Rio Concho when operating the utility. I use the lamp as an additional light source  
13               within the office. I use the bookshelf, or sideboard, to hold books and other utility  
14               related materials. I use the television to monitor weather and watch training videos that  
15               I play using the DVD player.

16   **Q.        PLEASE DESCRIBE HOW YOU USE THE 1995 TRUCK THAT MS. ENGLISH  
17               REFERENCES IN HER TESTIMONY?**

18   A.        The 1995 truck is no longer in used for daily operations. It has over 230,000 miles on  
19               it and a manual transmission, and it would cost more to keep running what we have  
20               requested in costs for the Audi. In fact, prior to acquiring the Audi in January of 2015,  
21               I drove a 2004 Ford Excursion to conduct utility business. We retired that vehicle from  
22               service, and acquired the Audi, because the Excursion was becoming too costly to

1        operate. We have had very little repair and maintenance costs for the Audi since  
2        acquiring it, and it is essential for conducting the utility's business as I testified in my  
3        direct testimony. The 1995 truck could not be used for these purposes because of its  
4        age and mileage.

5        **Q. PLEASE DESCRIBE HOW YOU USE THE AUDI THAT MS. ENGLISH**  
6        **REMOVED FROM THE RATE BASE FOR THE WATER SYSTEM.**

7        A. As I stated in my direct testimony, the Audi is used for transporting materials and  
8        supplies for the water system, banking, general maintenance on the water system,  
9        attending water conferences and continuing education programs, taking water samples  
10       to the public health department, attending PUC hearings. It serves as a light duty pickup  
11       typically used by a small water utility. As I testified in my direct testimony, over 60%  
12       of the Audi's usage is related to utility business, which is consistent with the share of  
13       the Audi's operating costs, depreciation and rate base that we requested in the  
14       application.

15       **Q. PLEASE DESCRIBE THE HISTORICAL GROWTH IN CUSTOMERS AND**  
16       **CHANGE IN AVERAGE CUSTOMER WATER USAGE FOR RIO CONCHO?**

17       A. Since 1995, when we acquired the system, there has been very slow growth in the  
18       system's customer base and the average usage per connection has remained fairly  
19       constant.

20       **Q. HOW DO YOU PROMOTE WATER CONSERVATION FOR YOUR**  
21       **UTILITY?**

1 A. We promote water conservation by slightly raising the gallonage rate for our customers  
2 compared to the rate that would be calculated by strictly allocating the fixed and  
3 variable costs we incur.

4 **IV. REBUTTAL TO LOOCKERMAN TESTIMONY**

5 **Q. DO YOU AGREE WITH MS. LOOCKERMAN'S TESTIMONY REGARDING**  
6 **THE RIO CONCHO REVENUE REQUIREMENT?**

7 A. No.

8 **Q. WHY NOT?**

9 A. Ms. Loockerman arbitrarily excludes expenses that are reasonable and necessary for  
10 the operation of the utility, including expenses for contract labor, transportation,  
11 laundry and clothing, meals, employee benefits and a few other more minor expenses.  
12 Essentially, Ms. Loockerman's testimony is that she simply doesn't think that more  
13 than \$30,000 in costs requested by Rio Concho are reasonable, while I think they are.  
14 This question pits her 20 years of regulatory experience, including only a few years  
15 actually working in the private sector, against my 21 years of experience successfully  
16 owning and operating the Rio Concho water system. This is only the third time I have  
17 requested a rate increase for this system in over 20 years of ownership. I can tell you  
18 that the bureaucracy and expense of this process has made me question whether to  
19 continue in this business that I have loved and nurtured for that past two decades.

20 **Q. PLEASE EXPLAIN WHY YOU DISAGREE WITH MS. LOOCKERMAN'S**  
21 **EXCLUSION OF CONTRACT LABOR EXPENSES.**

1     A.     Ms. Loockerman's testimony on Kevin Brunson's compensation is wrong. We are not  
2           requesting that he be paid \$16,835 during the test year. As stated in the application on  
3           Schedule II-8, we are requesting that he be paid \$14,435 per year for his services. The  
4           services he provides, as explained in detail in his rebuttal testimony (Exhibit RCA-7),  
5           more than justify his compensation.

6           In addition, although I could work 24 hours a day as suggested by Ms.  
7           Loockerman, I do have a life - I do consider it a full time job - I do generally work over  
8           40 hours a week for the utility, but is not realistic for one person to be responsible for  
9           the utility 24/7. Compensating Mr. Brunson for his work is reasonable and necessary,  
10          and his work is worth at least the \$1200 per month that we are requesting for his after-  
11          hours and on-call services. In fact, I have obtained two quotes for after-hours/on-call  
12          services at \$750 and \$700 per month respectively, but those quotes do not include more  
13          than one minor service call per week or equipment and parts.

14          Ms. Loockerman's recommended \$300 per month for his services is wholly  
15          insufficient to compensate him for his time, materials and expenses in responding after-  
16          hours and in emergencies. And her experience with a system 1/3 the size of Rio Concho  
17          more than 10 years ago certainly doesn't qualify her to opine on how much time it takes  
18          to operate the Rio Concho system. Using her "representative 80-connection system,"  
19          it could be argued that operating a 240 connection system would take 3 times as much  
20          manpower as the 5 days per week that she cites as her experience. This would equate  
21          to 15 days per week and justify more than two full time positions.



1 Finally, since 2013, the Commission has received four applications for rate  
2 increases from water systems with 600 connections, 110 connections, 135 connections  
3 and 48 connections. None of these systems are similar to the Rio Concho system. It is  
4 irresponsible for Ms. Loockerman to cite them as some sort of benchmark for the Rio  
5 Concho system. Ms. Loockerman even claims that compensating Mr. Brunson and  
6 myself as we have requested would not be allowed in a competitive market. However,  
7 if our customers were customers of our two closest neighboring systems, 60% of them  
8 would be paying more for the same service, even at the rate we have requested.

9 **Q. PLEASE EXPLAIN WHY YOU DISAGREE WITH MS. LOOCKERMAN'S**  
10 **EXCLUSION OF TRANSPORTATION EXPENSES.**

11 A. Ms. Loockerman excludes the costs associated with the Audi used for Rio Concho's  
12 operations. Her primary argument is that the travel between Rio Concho's two offices  
13 is commuting not work. Rio Concho conducted the bulk of its operations out of the  
14 main office, the expense of which is not claimed in the application, until 2013. In 2014,  
15 I established a local office to comply with rules regarding office locations near the  
16 system. In order to do this, I utilized space not owned by Rio Concho, but owned by  
17 Barbie Land Development. Barbie Land Development charges below market rates for  
18 its lease to Rio Concho and the secondary office is located on-site.

19 Ms. Lockerman's recommendation essentially penalizes me for obtaining this  
20 below market on-site office on property I own. This makes no senses. In the open  
21 market, the local office rent would be at least \$812 per month, not including electricity,  
22 and the office would be somewhere within a 20 mile radius of the system. Mileage

1 from that office to the system would not be considered commuting mileage and the  
2 difference in total mileage allocable to the water system would only be 20 miles each  
3 week day, or 5200 miles per year out of a total claimed mileage of nearly 20,000 miles.  
4 The savings in monthly office leasing costs (more than \$3700/year) more than offset  
5 the entire transportation costs reduction proposed by Ms. Loockerman (\$1108/year).  
6 As a result, I believe our requested transportation costs are more than reasonable and  
7 certainly necessary to operate the water system.

8 **Q. PLEASE EXPLAIN WHY YOU DISAGREE WITH MS. LOOCKERMAN'S**  
9 **EXCLUSION OF LAUNDRY AND CLOTHING AND MEAL EXPENSES.**

10 A. Ms. Loockerman's experience is in the office experience, real life operator experiences  
11 entail using harsh chemicals, muddy situations and many environments that cause  
12 damage to clothing. Thus the \$600 clothing expense, which amounts to \$50 per month  
13 for clothing related expenses, is reasonable and necessary for this environment. In  
14 addition, meals were provided sometimes to prevent service work interruption on the  
15 job site to complete the project or repair in a timely manner.

16 **Q. PLEASE EXPLAIN WHY YOU DISAGREE WITH MS. LOOCKERMAN'S**  
17 **EXCLUSION OF EMPLOYEE BENEFIT EXPENSES.**

18 A. In addition to the reasons stated in my direct testimony, Exhibit RCA-1, Ms.  
19 Loockerman fails to acknowledge that the life insurance policy on me has had a change  
20 in beneficiary. That beneficiary has been changed to Rio Concho Aviation, Inc., to  
21 more accurately reflect that the insurance policy is truly a key-employee insurance

1 policy that is designed to allow Rio Concho to hire someone with adequate experience  
2 in the event that something unexpected were to happen to me.

3 **Q. WHAT OTHER PORTIONS OF MS. LOOCKERMAN'S TESTIMONY DO**  
4 **YOU DISAGREE WITH?**

5 A. I disagree with her use of Mr. Novak's proposed rate of return, with her use of Ms.  
6 English's proposed depreciation and rate base and with the numerous flow through  
7 calculations that are impacted by her exclusions of costs that are reasonable and  
8 necessary to operate the water system.

9 In addition, I disagree with her calculation of the 51% increase in the revenue  
10 requirement as described in Mr. Manus' rebuttal testimony.

11 Finally, Rio Concho continues to incur rate case expenses beyond the level set  
12 out in our prefiled direct testimony. We intend to supplement that testimony at the  
13 hearing.

14 **V. CONCLUSION**

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes.