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APPLICATION OF RIO CONCHO
AVIATION, INC. FOR A
RATE/TARIFF CHANGE

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PUBLIC UTILITY COMMISSION
BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

**PREFILED DIRECT TESTIMONY & EXHIBITS
OF
BARBIE BRUNSON**

**ON BEHALF OF
RIO CONCHO AVIATION, INC.**

EXHIBIT RCA-1

AUGUST 5, 2016

52

**PREFILED DIRECT TESTIMONY & EXHIBITS
OF BARBIE BRUNSON**

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EXHIBITS

Rio Concho Aviation, Inc. Application for a Rate/Tariff Change.....Exhibit RCA-2

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1 **III. PERSONAL BACKGROUND**

2 **Q. WHAT IS YOUR BACKGROUND IN THE WATER AND SEWER UTILITY**
3 **INDUSTRY?**

4 A. I have 21 years of experience managing and operating our water utility, having
5 originally registered it with the Texas Natural Resource Conservation Commission in
6 1995. I am a licensed Class D Water System Operator (License No. WO0023485) and
7 have been since 1996.

8 **IV. WHAT IS RIO CONCHO AVIATION?**

9 **Q. WHEN DID YOU FIRST BECOME INVOLVED IN RIO?**

10 A. My husband and I formed Rio Concho in about July 1995, when we decided to purchase
11 the Hicks Airfield FBO (Fixed Based Operations), fuel farm, water system and some
12 additional hangar lots. Since that time, we have developed a passion for the airport and
13 its people, and have been very involved with growing and protecting the airport as the
14 countryside has become urban and as the airport has transitioned into more of a
15 hangar/home community.

16 **Q. WHAT SERVICES DOES RIO CONCHO PROVIDE?**

17 A. Rio Concho Aviation, Inc. provides water service to the hangars/hangar homes at the
18 Hicks Airfield, leases tie-down space for aircraft, leases a restaurant building, and sells
19 aviation fuel through our fully automated 24-hour self-serve pumps.

1 **Q. PLEASE DESCRIBE YOUR DUTIES AS THEY RELATE TO RIO CONCHO'S**
2 **TIE-DOWN LEASES?**

3 A. I am responsible for the lease of the tie-down spaces owned by Rio Concho Aviation,
4 Inc., and collect monthly rent from the aircraft owners. We currently have two tie-
5 down customers that send me a check for each month, which I deposit in the bank. A
6 customer is basically paying for a parking space for his or her airplane outside on a
7 piece of our property. This property is separate from all other pieces of property we
8 own at Hicks Airfield and is not connected to the water utility.

9 **Q. HOW MUCH TIME DO YOU SPEND EACH MONTH ON RIO CONCHO'S**
10 **TIE-DOWN LEASES?**

11 A. I spend approximately 15-20 minutes each month managing the tie-down leases.

12 **Q. HOW ARE THE REVENUES AND EXPENSES OF RIO CONCHO'S TIE-**
13 **DOWN LEASES ACCOUNTED FOR IN THE ENTITY'S FINACIAL**
14 **RECORDS?**

15 A. Those funds are accounted for as a separate enterprise of the business.

16 **Q. PLEASE EXPLAIN HOW YOU ARE COMPENSATED FOR YOUR WORK**
17 **ON RIO CONCHO'S TIE-DOWN LEASES?**

18 A. I am not compensated as an employee or contractor for my time spent on the tie-down
19 leases.

1 **Q. PLEASE DESCRIBE YOUR DUTIES AS THEY RELATE TO RIO CONCHO'S**
2 **RESTAURANT LEASE?**

3 A. I collect money for the lease of the building owned by Rio Concho Aviation, Inc., to a
4 restaurant operator. My husband, Kevin, negotiated the original lease and negotiated
5 the second lease. I only collect and deposit the rent checks.

6 **Q. HOW MUCH TIME DO YOU SPEND EACH MONTH ON RIO CONCHO'S**
7 **RESTAURANT LEASE?**

8 A. I do not spend any time managing the lease. My husband manages all matters pertaining
9 to the lease of the restaurant.

10 **Q. HOW ARE THE REVENUES AND EXPENSES OF RIO CONCHO'S**
11 **RESTAURANT LEASE ACCOUNTED FOR IN THE ENTITY'S FINANCIAL**
12 **RECORDS?**

13 A. Those funds are accounted for as a separate enterprise of the business.

14 **Q. PLEASE EXPLAIN HOW YOU ARE COMPENSATED FOR YOUR WORK**
15 **ON RIO CONCHO'S RESTAURANT LEASE?**

16 A. I am not compensated as an employee or contractor for any time spent on the restaurant
17 lease.

18 **Q. PLEASE DESCRIBE YOUR DUTIES AS THEY RELATE TO RIO CONCHO'S**
19 **FUEL OPERATIONS?**

20 A. I usually perform tank quantity measurements on site two times per week. On most
21 days, family members perform these operations for me while I am busy with the water

1 system, which is usually 5 to 6 days per week. I also market fuel sales through the
2 internet and manage the automated fuel system via computer link.

3 **Q. HOW MUCH TIME DO YOU SPEND EACH MONTH ON RIO CONCHO'S**
4 **FUEL OPERATIONS?**

5 A. I spend approximately two hours monthly on site at the airport an hour monthly on the
6 computer working on the fuel operations, for a total of three hours monthly.

7 **Q. HOW ARE THE REVENUES AND EXPENSES OF RIO CONCHO'S FUEL**
8 **OPERATIONS ACCOUNTED FOR IN THE ENTITY'S FINANCIAL**
9 **RECORDS?**

10 A. Those funds are accounted for as a separate enterprise of the business.

11 **Q. PLEASE EXPLAIN HOW YOU ARE COMPENSATED FOR YOUR WORK**
12 **ON RIO CONCHO'S FUEL OPERATIONS?**

13 A. I am not compensated as an employee or contractor for my time spent on the fuel
14 operations.

15 **Q. PLEASE EXPLAIN HOW THE REVENUES AND EXPENSES FOR THE TIE-**
16 **DOWN LEASES, RESTAURANT LEASE AND FUEL OPERATIONS IMPACT**
17 **THE WATER SYSTEM OPERATIONS AND FINANCES?**

18 A. There is no impact. The water system is operated as a separate business activity and
19 accounted for separately as well. These other activities are independent of the water
20 system.

1 **V. RIO CONCHO WATER SYSTEM**

2 **Q. HOW IS THE RIO CONCHO WATER SYSTEM OPERATED AND**
3 **MAINTAINED?**

4 A. It is operated according to the requirements in the Texas Water Code and maintained
5 mostly by me, my husband, our children, and a limited number of contractors.

6 **Q. PLEASE DESCRIBE THE ADMINISTRATIVE ORGANIZATION OF RIO**
7 **CONCHO?**

8 A. My husband Kevin serves the company as its President, and I serve as the Vice
9 President and Operator.

10 **Q. PLEASE DESCRIBE YOUR DUTIES AND RESPONSIBILITIES IN THE**
11 **OPERATION AND MAINTENANCE OF THE WATER SYSTEM?**

12 A. I operate and maintain the water system as prescribed by the Texas Water Code,
13 including, but not limited to, all aspects of maintaining the well site, the storage tank,
14 the pressure pumps, the electronic switches and chlorinator pump, distribution lines,
15 valves, hydrants, flush outs, water meters, boxes, and back flow preventers. I conduct
16 all Quality Assurance activities, water monitoring, reporting to multiple entities, water
17 sampling, billing, accounting, and customer service (including owner changes, late
18 fees, disconnects, and reconnects).

19 **Q. WHAT RESOURCES DO YOU HAVE AVAILABLE TO OPERATE THE**
20 **WATER SYSTEM?**

21 A. In addition to my own training and experience, my husband, Kevin is knowledgeable on
22 all aspects of the water system and the industry environment with regard to regulatory

1 and technology trends and local suppliers. He provides strategic direction on all aspects
2 of the system to ensure its long term viability and the most effective methods to deliver
3 our water service. He is on call and available 24-hours daily for hands-on assessment
4 and action when emergencies arise, and he attends water conferences for continuing
5 education. Most recently, he provided an assessment of peak period demand usage in
6 response to customer complaints of reduced water pressure during high demand
7 periods.

8 I also contract with Randy Manus, who is a water utility consultant and former water
9 system operator. He assists with regulatory reporting and compliance and some routine
10 maintenance requirements. He has also assisted with the preparation of this rate
11 application.

12 We own the usual tools and equipment used for routine maintenance. We also maintain
13 close relationships with companies who provide well service, pump repair, distribution
14 lines and supplies, water meters, cutoff valves, etc. to ensure rapid response to our
15 needs.

16 Our office equipment consists of a laptop, printer, filing cabinet, office chairs and desk,
17 folders, binders, paper, envelopes, pens, stapler, paperclips and markers, all of which
18 is located at either our main office in Aledo or in the small office at the airfield.

19 **Q. HOW MUCH TIME TO YOU SPEND EACH MONTH WORKING ON WATER**
20 **SYSTEM RELATED ISSUES?**

21 **A.** I spend more than 170 hours per month working on water system related issues.

1 Q. PLEASE DESCRIBE A TYPICAL DAY FOR YOU AT THE RIO CONCHO
2 WATER SYSTEM?

3 A. My day begins at our corporate office in Aledo, Texas, where mail is received, opened
4 and processed. I perform accounting work, such as entering checks and payments on
5 the computer, generating delinquency reports, preparing deposits, activity scheduling,
6 returning customer phone calls and email requests for information and questions about
7 billing, owner changes, etc. Then I generally get in the car to pick up supplies and
8 equipment as necessary, make bank deposits of customer checks, and then travel to the
9 water system at Hicks Airfield, for routine checks as required by the Texas Water Code,
10 which include checking the well site, checking water distribution lines, the water
11 storage tank, pressure tank, electrical system and switches, booster pumps, valves, site
12 tube, chlorination pump, lines, and valves every day. I also survey customer hangars
13 and water boxes for obvious leaks. I then stay on site to supply pressure tank air for the
14 water system as needed, perform record keeping, and make myself available for
15 customer interaction either in person or by telephone.

16 Q. HOW MUCH TIME DOES IT TAKE YOU TO COMPLETE A TYPICAL
17 DAY'S WORK FOR THE WATER SYSTEM?

18 A. I spend between 8 and 9 hours each day completing the work I have described.

19 Q. HOW DID YOU DETERMINE THAT AMOUNT?

20 A. In preparation for this hearing, I kept a detailed record of my activities and added the
21 hours up.

1 **Q. PLEASE DESCRIBE ANY WORK THAT YOU PERFORM FOR RIO**
2 **CONCHO THAT DOES NOT OCCUR ON A DAILY BASIS.**

3 A. On a weekly basis, I test and record chlorine residual value, check chlorination level in
4 the water lines and record master meter readings.

5 On a monthly basis, I flush water lines, read water meters, collect water samples and
6 take to health department for testing, perform customer billing, reconcile accounting,
7 determine delinquent accounts and perform disconnects and reconnects, calculate water
8 loss percentage, record well flow, and perform monthly payroll deposit.

9 On a quarterly basis, I complete the Disinfectant Quarterly Report for the Texas
10 Commission on Environmental Quality, complete the Quarterly Payroll Report for the
11 Internal Revenue Service, and complete the quarterly Texas Workforce Commission
12 Quarterly Report.

13 On a biannual basis, I complete the Northern Trinity Groundwater Conservation
14 District Report.

15 On an annual basis, I complete the Public Utility Commission Annual Report, complete
16 end of year accounting, and shop for the best electricity rates, and complete the Texas
17 Commission on Environmental Quality Regulatory Assessment Report and payment,
18 which is due in April of each year.

1 Q. HOW MUCH TIME DOES IT TAKE YOU TO COMPLETE THESE
2 ACTIVITIES?

3 A. I estimate that I spend 26 hours per year on the weekly activities, 80 hours per year on
4 quarterly activities, 4 hours per year on biannual activities, and 17 hours performing
5 the annual activities. This results in an average of 10.6 additional hours each month.

6 Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND EMPLOYMENT
7 BACKGROUND THAT MAKES YOU QUALIFIED TO DO THIS WORK?

8 A. I graduated from Texas Women's University with a BBA and obtained my Class D
9 Water License to operate the water utility in 1996. I've operated our system for 21
10 years. I have received more than 200 hours of continuing education related to water
11 system operations, accounting and management during those 21 years.

12 Q. PLEASE DESCRIBE THE CONTINUING EDUCATION THAT YOU
13 RECEIVE IN ORDER TO COMPLETE YOUR WORK FOR THE WATER
14 SYSTEM?

15 A. I regularly attend TCEQ's Annual Public Drinking Water Conference that offers
16 numerous courses for water system operators and managers and other continuing
17 education classes in the area, generally receiving over 10 hours of training each year.
18 Also, I have obtained continuing education courses online if a course is not in close
19 proximity.

20 VI. WATER SYSTEM RECORDS

21 Q. HOW DOES THE WATER SYSTEM MAINTAIN ITS RECORDS?

22 A. I maintain the water system records in electronic and paper files..

1 Q. HOW DO YOU MAINTAIN CUSTOMER SERVICE AND OPERATIONAL
2 RECORDS?

3 A. I maintain those records in paper files and binders and an electronic database.

4 Q. HOW DO YOU MAINTAIN THE WATER SYSTEM'S FINANCIAL
5 RECORDS?

6 A. I maintain the financial records on the water system's laptop computer and in paper
7 files. Copies of the records are also maintained at our accountant's office.

8 Q. WHAT STEPS DO YOU TAKE TO INSURE THE ACCURACY OF THE
9 WATER SYSTEM'S FINANCIAL RECORDS?

10 A. I manage and record water expenses and revenues very carefully and keep receipts for
11 all purchases. I have also contracted with an outside accounting firm and hired a water
12 utility consultant who reviews our financial records each month. I also obtain assistance
13 routinely from Texas Rural Water Association professionals.

14 Q. HOW MUCH DO YOU PAY MR. MANUS TO REVIEW THE FINANCIAL
15 RECORDS EACH MONTH?

16 A. My payable amount to Mr. Manus \$100 per month for his review of our financial
17 records.

18 Q. WHERE DID THE INFORMATION COME FROM THAT WAS USED TO
19 PREPARE THE RATE APPLICATION?

20 A. The information came from the water system files, including from actual receipts and
21 the water utility management software.

1 Q. WHAT IS YOUR OPINION ON THE RELIABILITY OF THIS
2 INFORMATION FOR RUNNING THE UTILITY AND SETTING ITS RATES?

3 A. I believe it is very reliable. There has been a high degree of scrutiny and preparation
4 with many professionals involved. Personally, I have spent more than 80 hours
5 reviewing documents, receipts and preparing the application.

6 VII. RIO CONCHO RATE APPLICATION

7 Q. WHY DID RIO CONCHO FILE AN APPLICATION TO INCREASE ITS
8 RATES?

9 A. Because the water utility continues to lose money and long term viability of the water
10 system cannot be maintained at the present rates. As a result of not being able to recover
11 sufficient revenue, the water system has not been able to make all payments for the
12 after-hours and emergency calls. In addition, we have not been able to recover our full
13 depreciation and return on our investment in the water system. We currently owe
14 money to our rate consultant and our attorney. We have also deferred some payments
15 to various vendors.

16 Q. WHEN WAS THE LAST TIME RIO CONCHO OBTAINED APPROVAL FOR
17 AN APPLICATION TO INCREASE ITS RATES?

18 A. January 2015.

19 Q. WHAT ISSUES WERE RAISED IN THAT CASE THAT IMPACTED THE
20 LEVEL AT WHICH RATES COULD BE SET?

21 A. The Commission staff did not understand that our water system was actually a 24-hour
22 operation. Because it is located on an airport, they asserted that it was more of a "Part-

1 Time" utility. The Commission staff also had a range of revenue that they felt should
2 be adequate for a system our size. In addition, we were required to adjust the
3 percentage down on the use of my vehicle for the water operations to 60% on all
4 aspects: insurance, fuel and maintenance and vehicle note.

5 **Q. WHAT STEPS HAS RIO CONCHO TAKEN TO ADDRESS THOSE ISSUES**
6 **SINCE THE PRIOR APPLICATION WAS APPROVED?**

7 A. We have lowered our base rate from \$33.33 and gallonage charge of \$6.50 per 1,000
8 gallons down to \$31.00 on the base charge and \$5.50 for the gallonage charge, plus
9 adjust the vehicle expense to 60%.

10 **Q. WHO PREPARED THE RATE APPLICATION?**

11 A. I contracted with Randy Manus to prepare the rate application. It was also reviewed
12 by Phillip Givens, who works with the Texas Rural Water Association.

13 **Q. WHY DID YOU RETAIN MR. MANUS TO ASSIST YOU WITH**
14 **PREPARING THE RATE APPLICATION?**

15 A. We retained Randy Manus to assist us in completing the application because he has
16 known my water system for over twenty years and is extremely knowledgeable about
17 the water system regulatory issues and guidelines.

18 **Q. DID MR. MANUS PREPARE THE RATE APPLICATION UNDER YOUR**
19 **DIRECTION AND SUPERVISION?**

20 A. Yes.

21 **Q. HAVE YOU REVIEWED THE APPLICATION?**

22 A. Yes.

1 Q. WHAT IS YOUR OPINION ABOUT THE ACCURACY OF THE COSTS
2 THAT ARE INCLUDED IN THE APPLICATION?

3 A. I believe them to be very accurate.

4 Q. HOW CAN YOU BE CERTAIN THAT THE COSTS IN THE APPLICATION
5 ACCURATELY REFLECT THE ACTUAL COSTS INCURRED BY THE
6 WATER SYSTEM?

7 A. I pay all expenses on water utility purchases and repairs and provided the receipts for
8 the application as requested by the Commission.

9 Q. IS THE DOCUMENT ATTACHED AS EXHIBIT RCA-2, A TRUE AND
10 CORRECT COPY OF THE APPLICATION THAT YOU SUBMITTED TO
11 THE PUBLIC UTILITY COMMISSION ON BEHALF OF RIO CONCHO
12 AVIATION, INC.?

13 A. Yes.

14 [OFFER EXHIBIT RCA-2]

15 Q. DOES THE INFORMATION PRESENTED IN THE APPLICATION
16 ACCURATELY REFLECT THE ACTUAL COST OF SERVICE INCURRED
17 AND THE REVENUE REQUIREMENT NEEDED BY RIO CONCHO FOR
18 THE RELIABLE OPERATION OF THE WATER SYSTEM?

19 A. Yes, with the clarifications in my testimony and the testimony of Randy Manus.

1 **VIII. WATER SUPPLY**

2 **Q. HOW DOES RIO CONCHO OBTAIN ITS WATER SUPPLY?**

3 A. There is a water well on site at the Hicks Airfield.

4 **Q. WHAT COSTS ARE INCURRED TO OBTAIN THE WATER FROM THE**
5 **WELL?**

6 A. The water system incurs the following costs: Electricity, well and pump maintenance,
7 Tarrant County Property Taxes, Northwest Independent School District Property Tax
8 and Hicks Airfield Pilot's Association Assessments, Northern Trinity Groundwater
9 Conservation District fee, and insurance for property and liability coverage.

10 **Q. WHAT ARE THE GROUNDWATER CONSERVATION DISTRICT FEES**
11 **FOR PUMPING WATER FROM THE WELL?**

12 A. The Northern Trinity Groundwater Assessment is currently \$0.125 per thousand
13 gallons, and we are charged for every gallon, including gallons that are lost through
14 leakage in the system and gallons that are lost to routine flushing of the lines, which is
15 about 11 percent of the gallons pumped.

16 **Q. HOW ARE THOSE FEES RECOVERED BY RIO CONCHO?**

17 A. The Northern Trinity Groundwater assessment is a pass-through fee. It is added on to
18 the monthly bill. Rio Concho makes no income from that assessment. However, we
19 cannot recover fees for the gallons lost.

1 **IX. SALARY AND BENEFITS**

2 **Q. HOW DID YOU DETERMINE THE LEVEL OF SALARY FOR YOUR**
3 **POSITION?**

4 A. I researched The Federal Labor Bureau of Statistics and the compensation paid by other
5 water utilities using information from the Texas Rural Water Association.

6 **Q. WHY DO YOU BELIEVE THIS IS REASONABLE COMPENSATION?**

7 A. It is not at the high end of the pay scale, and is in fact, about the middle. My job combines
8 the duties of an Operations Manager, Maintenance Technician, Customer Service
9 Representative, Office Manager and Book Keeper. For a person with 21 years'
10 experience, I would be hard pressed to replace my position for less than \$20 per hour.
11 In fact, my compensation is less than \$20 for every hour that I spend working on the
12 system. I think that is actually quite low for a person with my education and experience.

13 **Q. HOW DID YOU DETERMINE THE LEVEL OF HEALTH INSURANCE**
14 **BENEFITS FOR YOUR POSITION?**

15 A. I researched the cost for a basic major medical policy.

16 **Q. WHY DO YOU BELIEVE THIS IS A REASONABLE BENEFIT?**

17 A. I researched the health benefits provided by other utilities, and the majority of those
18 utilities provide health insurance benefits for their employees.

1 **Q. HOW DID YOU DETERMINE THE LEVEL OF RETIREMENT BENEFIT**
2 **FOR YOUR POSITION?**

3 A. The amount of retirement contribution is low. I knew the minimum amount would
4 provide me with \$1,200 per month at age 70, which seems reasonable for a full time
5 employee having worked diligent during her career.

6 **Q. WHY DO YOU BELIEVE THIS IS A REASONABLE BENEFIT?**

7 A. I only have one full time job. The water utility takes virtually all of my available time
8 and a reasonable retirement benefit is commonly accepted and expected in the U.S.

9 **X. CONTRACT LABOR**

10 **Q. PLEASE DESCRIBE THE CONTRACT LABOR THAT RIO CONCHO USES**
11 **FOR THE WATER SYSTEM?**

12 A. The water system contracts for emergency repair on-call personnel, meter readers,
13 backhoe services and consulting related to pumps, well operations, distribution line
14 leak detection and accounting and financial services.

15 **Q. HOW MUCH DOES RIO CONCHO PAY FOR METER READING SERVICES**
16 **EACH MONTH?**

17 A. The water system pays \$300 each month.

18 **Q. PLEASE EXPLAIN WHY THIS AMOUNT IS REASONABLE?**

19 A. I have received quotes from a service company that indicated they would charge \$850
20 per month provide meter reading services.

1 **Q. PLEASE DESCRIBE THE CONTRACT LABOR THAT RIO CONCHO USES**
2 **FOR AFTER HOURS CALLS AND EMGENCIES?**

3 A. The utility contracts with Kevin Brunson for after-hours calls and emergencies. He is
4 President of Rio Concho and my husband. He is familiar with the complete workings
5 and infrastructure of the water system, having been at the airport since the early 1990s,
6 before the developer had completed the water system. Kevin knows where all the
7 valves and lines go. He knows the precise depth of each section of line. He knows how
8 the system is looped, and where the low points are in the system. He knows what to do
9 if there is continuous low pressure so that a mandatory boil notification can be avoided.
10 He knows how to quickly re-pressurize the system in the most expedient and safe
11 manner. There have been dozens and dozens of occasions over the years where calling
12 in an outside contractor would have resulted in a boil notice. In short, my husband
13 knows how to get things done; project and crisis management is one of his many talents.

14 **Q. HOW MUCH DOES RIO CONCHO PAY FOR AFTER HOURS CALLS AND**
15 **EMGENCIES EACH MONTH?**

16 A. The water system pays \$1,200 each month.

17 **Q. PLEASE EXPLAIN WHY THIS AMOUNT IS REASONABLE?**

18 A. Kevin is always responsive when the crisis event occurs. He is at the airport within
19 minutes. We can spend \$1,200 in one emergency call and still not find or solve the
20 problem if the contractor is not familiar with the system, or doesn't show up timely.
21 On call, 24-hour retainer for an outside qualified contractor costs significant dollars.
22 We understand from our customers that many live in their hangars at least part time,

1 requiring the water system to be fully operational 24-hours per day, seven days per
2 week. I have also spoken with several other companies about this type of service and
3 their costs are similar to what we are paying Kevin.

4 **Q. PLEASE DESCRIBE THE CONTRACT LABOR THAT RIO CONCHO USES**
5 **FOR OTHER SYSTEM REPAIRS AND MAINTENANCE?**

6 A. We have a contractor who is less expensive than many others and has familiarity with
7 the system to perform scheduled repairs and maintenance. Unfortunately, this
8 contractor is not located close to the airport and is not readily available if an emergency
9 occurs.

10 **Q. HOW MUCH DOES RIO CONCHO PAY FOR OTHER SYSTEM REPAIRS**
11 **AND MAINTENANCE EACH MONTH?**

12 A. It depends on what the job consist of and what parts are needed. In June we had to
13 contract to have a backhoe out to provide a tap and move a distribution line. The cost
14 for this service was \$400. These types of repairs do not occur on a monthly basis.

15 **Q. PLEASE EXPLAIN WHY THESE COSTS ARE REASONABLE?**

16 A. We work very hard to find the lowest cost, most effective ways to deliver water service,
17 while not neglecting long-term repair and maintenance issues that would devalue our
18 system and jeopardize our ability to provide quality water on a consistent basis.

1 **XI. OFFICE EXPENSES**

2 **Q. WHERE ARE THE WATER SYSTEM OFFICES LOCATED?**

3 A. The Corporate Office is located at 221 West Hill Drive, Aledo, Texas. The local office
4 required by the Commission's rules is located at 419 Aviator Drive, Fort Worth, TX
5 76179.

6 **Q. WHEN WAS THE OFFICE AT THE HICKS AIRFIELD FIRST OPENED?**

7 A. When the water system was acquired and registered in 1995, we maintained a water
8 office in the terminal building that we now lease. We stopped using that office in late
9 2010, when we first leased it out to the restaurant operator. The 419 Aviator Drive
10 office was constructed in the summer of 2014 and opened immediately after that.

11 **Q. WHY WAS THE OFFICE AT THE HICKS AIRFIELD OPENED?**

12 A. The 2014 Commission requirement is for the company to maintain an office within 20
13 miles of the CCN for water system at Hicks Airfield. Rio Concho had leased the
14 building that housed the original office two years prior to the Commission requirement
15 of 2014, which necessitated another office. We determined that it would be more
16 convenient for our customers and less expensive for the water system to construct an
17 office in an existing hangar owned by Rio Concho and lease that space at a rate lower
18 than other commercial space located within 20 miles of the airport. Our corporate office
19 for Rio Concho is 34 miles from Hicks Airfield.

20 **Q. WHAT IS THE COST TO THE WATER SYSTEM FOR THE OFFICE AT**
21 **HICKS AIRFIELD?**

22 A. The monthly cost is \$500.

1 **Q. PLEASE EXPLAIN WHY THIS AMOUNT IS REASONABLE?**

2 A. The comparable office space close to, but not on the airport, is \$800 per month.

3 **Q. WHAT STEPS DID YOU TAKE TO VERIFY THE REASONABLENESS OF**
4 **THIS COST?**

5 A. We shopped the lease rates for the market with the help of a licensed realtor.

6 **XII. TRANSPORTATION EXPENSES**

7 **Q. PLEASE DESCRIBE THE TRANSPORTATION NEEDS OF RIO CONCHO**
8 **FOR THE WATER SYSTEM?**

9 A. Most of the time, the needs can be met through the use of a small SUV. Occasionally
10 a larger vehicle is required, such as a ¾-ton pickup truck to haul heavy and bulky items,
11 and occasionally a trailer is required. The water system does not own a truck or trailer.
12 It owns a small SUV and a golf cart, which is used for light repairs and maintenance,
13 and meter reading. As part of Kevin's contract for after-hours and emergency calls, he
14 provides the use of large trucks and trailers and other equipment such as skid steers and
15 sweepers at no charge to the water system.

16 **Q. WHAT VEHICLE(S) DOES RIO CONCHO USE TO MEET THESE NEEDS?**

17 A. Rio Concho owns a battery operated Yamaha golf cart and an Audi Q5, both of which
18 were purchased used.

19 **Q. WHEN WERE THE VEHICLE ACQUIRED?**

20 A. The golf cart was acquired in September 2014, and the Audi Q5 was acquired
21 December 31, 2014.

1 **Q. WHAT ARE THE VEHICLES USED FOR?**

2 A. The SUV is used for transporting materials and supplies for the water system, banking,
3 general maintenance on the water system, attending water conferences and continuing
4 education programs, taking water samples to the public health department, attending
5 PUC hearings. It serves as a light duty pickup typically used by a small water utility.
6 The golf cart is used as transportation within the airport facility for meter reading and
7 monitoring the water system.

8 **Q. HOW MUCH TIME IS THE SUV USED FOR WATER SYSTEM MATTERS**
9 **COMPARED TO NON-WATER SYSTEM MATTERS?**

10 A. The SUV is used at least 60 percent of the time for water system matters.

11 **Q. HOW MANY MILES DOES THE VEHICLE TRAVEL EACH YEAR FOR**
12 **WATER SYSTEM PURPOSES?**

13 A. Approximately 19,627 miles, or approximately 62% of the SUVs total test year
14 mileage.

15 **Q. HOW DID YOU ESTIMATE THAT MILEAGE?**

16 A. The mileage was calculated through careful research using Google Maps for each of
17 the various routes necessary to perform routine activities pertaining to the operation of
18 the water utility. However, my calculations represent only the daily recurring routine.
19 They do not include trips required to get parts or supplies as needed nor do they
20 represent additional trips the bank, lab, Post Office or night and weekend calls.

1 Q. HOW MANY TOTAL MILES DID THE VEHICLE TRAVEL DURING THE
2 TEST YEAR?

3 A. 31,351.

4 Q. HOW DID YOU DETERMINE THE TOTAL MILEAGE DURING THE TEST
5 YEAR?

6 A. When purchased, the SUV mileage was 1,629. At the end of 2015, the mileage was
7 33,351.

8 Q. HOW MUCH DID THE SUV COST?

9 A. The purchase price was \$40,498.97.

10 Q. HOW WAS THE SUV PAID FOR?

11 A. We secured a loan for the purchase of the SUV.

12 Q. WHAT IS THE INTEREST RATE FOR THE VEHICLE LOAN?

13 A. The interest rate is 3.9%.

14 Q. WHAT ARE THE MONTHLY PAYMENTS FOR THE VEHICLE?

15 A. The monthly payment is \$745.18.

16 Q. HOW MUCH OF THE MONTHLY PAYMENT IS ALLOCATED TO THE
17 WATER SYSTEM?

18 A. The water system is allocated 60% of the monthly payment, or \$447.11.

19 Q. WHAT OTHER COSTS DOES THE WATER SYSTEM INCUR TO OPERATE
20 AND MAINTAIN THE VEHICLE?

21 A. There are also costs for gasoline, routine maintenance and insurance.

1 Q. HOW MUCH OF THOSE OTHER COSTS ARE ALLOCATED TO THE
2 WATER SYSTEM?

3 A. Those costs are also allocated at 60% to the water system.

4 Q. WHY IS THE ALLOCATION OF 60% OF THE SUV COSTS A REASONABLE
5 AMOUNT?

6 A. Most utilities our size have at least one vehicle for official business, moreover the
7 allocation was presented during the last rate case where it was discussed, debated, and
8 agreed by PUC staff Docket Number 43728 to be 60%. In addition, my calculations
9 above show the actual percentage to be higher than 60% we are using for the water
10 utility usage.

11 XIII. INSURANCE

12 Q. WHAT KIND OF INSURANCE DOES RIO CONCHO HAVE FOR THE
13 WATER SYSTEM?

14 A. We have both property and liability insurance.

15 Q. WHY IS THE PROPERTY AND LIABILITY INSURANCE ISSUED AS AN
16 AIRPORT LIABILITY POLICY?

17 A. Because the property and water system is located on an airport and that is the type of
18 policy issued for our situation.

1 Q. WHAT PORTIONS OF THE RIO CONCHO AVIATION, INC. OPERATIONS
2 DOES THIS POLICY COVER?

3 A. It covers all aspects of Rio Concho Aviation, Inc., operation, including the buildings,
4 fuel system, water system, all property and all liability.

5 Q. WHAT PORTION OF THE POLICY PREMIUM IS ALLOCATED TO THE
6 WATER SYSTEM?

7 A. Of the total property premium, which is \$3,014.00, the portion allocated to the water
8 operation is \$1,044.77. Of the total liability premium, which is \$2,695, the water
9 portion is \$912.47

10 Q. HOW WAS THAT ALLOCATION DETERMINED?

11 A. The allocation of the premium amount approximates the square footage of property
12 utilized by each of Rio Concho's business activities.

13 **XIV. MISCELLANEOUS EXPENSES**

14 Q. PLEASE EXPLAIN THE HICKS AIRFIELD PILOTS ASSOCIATION
15 ASSESSMENTS?

16 A. Assessments are required to be paid by all property owners through the deed restrictions
17 that are filed of record for all property within the airfield, including the water system
18 property. The assessment is charged by the square foot. The current rate is \$0.081 per
19 square foot.

20 Q. WHY IS THE WATER SYSTEM REQUIRED TO PAY THESE
21 ASSESSMENTS?

22 A. Because it is private property owned by Rio Concho Aviation, Inc.

1 Q. HOW IS THE AMOUNT OF ASSESSMENT PAID BY THE WATER SYSTEM
2 DETERMINED?

3 A. The Hicks Airfield Pilots Association sets the assessment by the square foot through a
4 membership vote of all property owners on the airport under the jurisdiction of
5 association. The total assessment to Rio Concho is allocated to the various functions
6 of Rio Concho by square foot, similar to the insurance allocation. The water utility
7 only pays for the property that it actually uses.

8 XV. CAPITAL STRUCTURE

9 Q. HOW MUCH DEBT DOES THE WATER SYSTEM HAVE?

10 A. None, other than the allocated portion of the loan for the SUV, attorneys fees and back
11 payments to contractors.

12 Q. IF THE WATER SYSTEM WERE TO SEEK A LOAN FOR CAPITAL
13 IMPROVEMENTS TO THE WATER SYSTEM, WHAT WOULD THE
14 INTEREST RATE BE?

15 A. Based upon my research and inquiry at our local bank, the water system could obtain a
16 loan for somewhere between 7.58% and 17.7% for 24-month note.

17 Q. WHAT RATE OF RETURN ON EQUITY ARE YOU SEEKING?

18 A. We are seeking a 12.49% return on our equity as prescribed by the PUC formulas.

19 Q. HOW DID YOU CALCULATE THAT RATE?

20 A. We calculated the rate by following the instructions provided by the PUC water rate
21 application. We used the Moody's Bond Rate and followed the exact formula provided
22 by the Commission.

1 Q. WHY DID YOU BELIEVE IT WAS REASONABLE TO RELY UPON THE
2 INSTRUCTIONS IN THE APPLICATION FOR CALCULATING A RETURN
3 ON EQUITY FOR YOUR TYPE OF WATER SYSTEM?

4 A. We assume the Commission would not ask for one thing in the application and then
5 impose something different in its review of our submission. We also have an extremely
6 low equity value.

7 **XVI. RECOVERY OF RATE CASE EXPENSES**

8 Q. HOW MUCH COST DID RIO CONCHO INCUR TO PREPARE AND FILE
9 THIS RATE CHANGE APPLICATION?

10 A. Preparation of the application cost \$1,794.00.

11 Q. HOW MUCH COST HAS RIO CONCHO INCURRED TO PROSECUTE THIS
12 RATE CHANGE APPLICATION SINCE IT WAS FILED?

13 A. We have incurred approximately \$30,000 in rate case expenses as of the filing of this
14 testimony.

15 Q. HOW MUCH COST DO YOU EXPECT RIO CONCHO TO INCURE TO
16 PROSECUTE THIS APPLICATION UNTIL A FINAL DECISION IS
17 REACHED?

18 A. We expect to incur an additional \$40,000 in rate case expenses if this application
19 continues all the way through the contested case process.

20 Q. HOW DO YOU PROPOSE TO RECOVER THESE COSTS?

21 A. We propose to collect our rate case expenses as a surcharge on our customers' water
22 bills until our full costs are recovered. We are confident that the rate increase proposed

1 is reasonable and just and in the best interest of the water utility and its customers.
2 Further, we are disappointed that this course of action was necessary. We expected the
3 PUC to be more expedient and competent in their review of the rate case we presented.

4 **XVII. CONCLUSION**

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

6 **A. Yes.**