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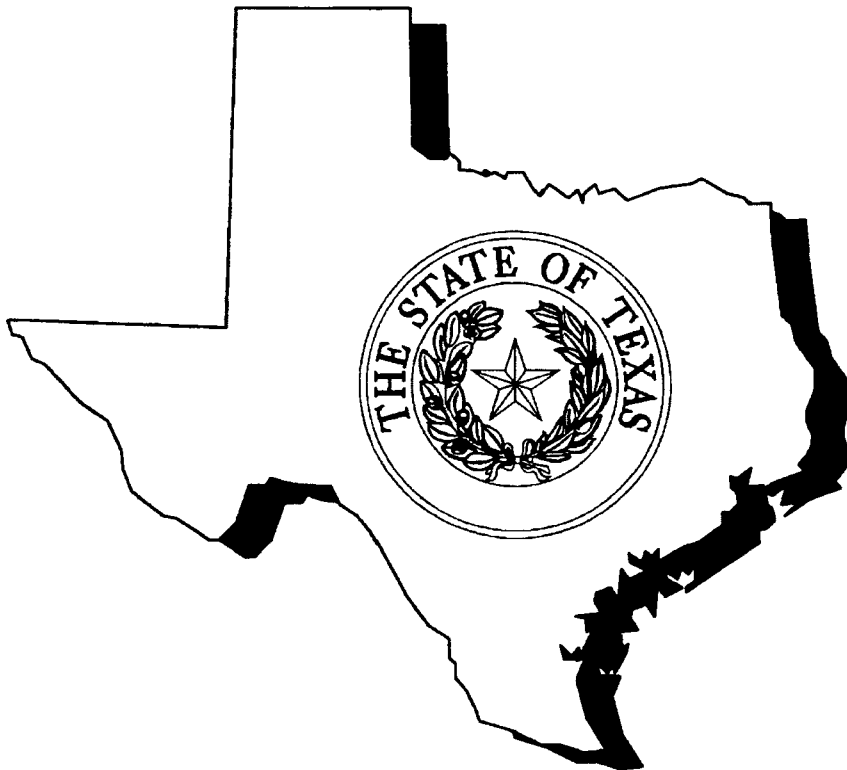
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SOAH DOCKET NO. 473-17-5770.WS  
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APPLICATION OF WOLFE AIR PARK §  
CIVIC CLUB, INC. TO OBTAIN A §  
WATER CERTIFICATE OF §  
CONVENIENCE AND NECESSITY IN §  
BRAZORIA COUNTY

BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE  
HEARINGS



DIRECT TESTIMONY OF  
EMILY SEARS  
WATER UTILITY REGULATION  
PUBLIC UTILITY COMMISSION OF TEXAS  
APRIL 13, 2018

## **Table of Contents**

I. INTRODUCTION OF WITNESS.....	2
II. PURPOSE AND SCOPE OF TESTIMONY .....	3
III. APPLICATION .....	4
IV. FINANCIAL AND MANAGERIAL CAPABILITY.....	4

**I. INTRODUCTION OF WITNESS**

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

A. Emily Sears, Public Utility Commission of Texas, 1701 N. Congress Avenue, Austin, Texas  
78711-3326.

**Q. BY WHOM ARE YOU CURRENTLY EMPLOYED AND IN WHAT CAPACITY?**

A. I have been employed by the Public Utility Commission of Texas (Commission) since  
January 1, 2015 as a Financial Analyst in the Water Utility Regulation Division.

**Q. WHAT ARE YOUR PRINCIPAL RESPONSIBILITIES AT THE COMMISSION?**

A. I am responsible for reviewing certificate of convenience and necessity (CCN) applications  
and amendments, sale/transfer/merger applications, tariff/rate change applications, stock  
transfers, financial reviews, managerial reviews, and rate filings. I am also responsible for  
preparing testimony and exhibits for contested case matters involving investor-owned, non-  
profit and governmental water and sewer retail public utilities, wholesale matters, and  
assisting with settlement negotiations.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL  
EXPERIENCE.**

A. I have provided a summary of my educational background and professional experience in  
Attachment ES-1 to my direct testimony.

**Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION OR THE  
STATE OFFICE OF ADMINISTRATIVE HEARINGS (SOAH)?**

A. Yes. Attachment ES-2 provides a summary of the cases in which I have testified or submitted testimony.

**II. PURPOSE AND SCOPE OF TESTIMONY**

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

A. The purpose of my testimony is to present a recommendation on the financial and managerial capability of Wolfe Airpark Civic Club, Inc. (Wolfe Airpark) to obtain a certificate of convenience and necessity (CCN).

**Q. WHAT IS THE SCOPE OF YOUR REVIEW?**

A. I reviewed the application, a request for hearing, testimony from Wolfe Airpark, replies to requests for information from all parties, and the applicable laws in the Texas Water Code and the Tex. Admin. Code. These recommendations pertain to the following issues, in part, from the Commission's preliminary order for this case:

4. Does Wolfe Airpark possess the financial, managerial, and technical capability to provide continuous and adequate water service? TWC § 13.241(a) and 16 TAC § 24.102(a).

9. (f) Is Wolfe Airpark financially able to pay for the facilities necessary to provide continuous and adequate water service? TWC § 13.246(c)(6) and 16 TAC § 24.102(d)(6).

9. (g) Is Wolfe Airpark financially stable including, if applicable, its debt-to-equity ratio?

TWC § 13.246(c)(6) and 16 TAC § 24.102(d)(6).

10. Should the Commission require Wolfe Airpark, pursuant to TWC § 13.246(d) and 16 TAC § 24.102(e), to provide a bond or other financial assurance to ensure that continuous and adequate water service is provided?

### **III. APPLICATION**

#### **Q. WHAT IS WOLFE AIRPARK REQUESTING THROUGH ITS APPLICATION?**

A. Wolfe Airpark is requesting to obtain a CCN. The total service area being requested includes approximately 99 acres and 42 current customers.

### **IV. FINANCIAL AND MANAGERIAL CAPABILITY**

#### **Q. WHAT REQUIREMENTS DOES WOLFE AIRPARK NEED TO MEET IN ORDER TO DETERMINE THAT IT HAS THE FINANCIAL AND MANAGERIAL CAPABILITIES TO PROVIDE CONTINUOUS AND ADEQUATE SERVICE?**

A. 16 TAC § 24.11(e) establishes criteria to demonstrate that an owner or operator of a retail public utility has the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and proposed utility service area.

#### **Q. WHAT CRITERIA IS SET FORTH IN 16 TAC § 24.11(e)?**

1 A. 16 TAC § 24.11(e) states that an owner or operator may demonstrate financial assurance by  
2 satisfying a financial test including the leverage and operations tests that conform to the  
3 requirements of this section.

4  
5 **Q. WHAT IS THE LEVERAGE TEST?**

6 A. The leverage test states that the owner or operator must meet one or more of the following  
7 criteria: (A) a debt to equity ratio of less than one; (B) a debt service coverage ratio of more  
8 than 1.25; (C) sufficient unrestricted cash available as a cushion for two years of debt service;  
9 (D) an investment-grade credit rating from Standard & Poor's Financial Services, LLC,  
10 Moody's Investors Service, or Fitch Ratings, Inc.; or (E) an affiliated interest is capable,  
11 available, and willing to cover temporary cash shortages.

12  
13 **Q. DOES WOLFE AIRPARK MEET THE LEVERAGE TEST?**

14 A. Yes. Wolfe Airpark meets criterion (A) as listed above. Wolfe Airpark has no debt, and  
15 therefore, has a debt to equity ratio of zero.

16  
17 **Q. WHAT IS THE OPERATIONS TEST?**

18 A. The operations test states that the owner or operator must demonstrate sufficient cash is  
19 available to cover any projected operations and maintenance shortages in the first five years  
20 of operations.

**Q. DOES WOLFE AIRPARK MEET THE OPERATIONS TEST?**

A. Yes. Wolfe Airpark has no projected losses. Also, the system was built and has been operating since 1986, and Wolfe Airpark does not anticipate a change in costs due to growth, and anticipates there will be no change to the physical facilities due to growth.

**Q. ARE THERE ANY FACILITIES NECESSARY TO PROVIDE CONTINUOUS AND ADEQUATE WATER SERVICE?**

A. As Wolfe Airpark is a pre-existing system, Staff believes there are no additional facilities necessary to provide continuous and adequate water service.

**Q. IN YOUR OPINION, SHOULD THE COMMISSION REQUIRE WOLFE AIRPARK, PURSUANT TO TWC § 13.246(d) AND 16 TAC § 24.102(e), TO PROVIDE A BOND OR OTHER FINANCIAL ASSURANCE TO ENSURE THAT CONTINUOUS AND ADEQUATE WATER SERVICE IS PROVIDED?**

A. No, Staff does not recommend that the Commission require Wolfe Airpark to provide a bond or other financial assurance. Wolfe Airpark has met the financial tests listed in 16 TAC § 24.11(e). Wolfe Airpark is already providing water service with a pre-existing water system and no improvements are required that would necessitate investment by Wolfe Airpark. Furthermore, as described in Ms. Jolie Mathis' testimony, Staff recommends that Wolfe Airpark submit a rate case in 18 months to the Commission in order to reconcile the rates to the actual costs incurred by Wolfe Airpark, and to adjust



1 rates, if necessary. Therefore, there is enough information in the record to determine that  
2 continuous and adequate water service will be provided.

3  
4 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 A. Yes. I reserve the right to supplement this testimony during the course of the proceeding as  
6 new evidence is presented.

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Emily Sears

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**Professional Experience**

- **Public Utility Commission of Texas**  
Utility Rates Analyst  
Water Utilities Division  
January 2015 - Present
- **Commonwealth of Pennsylvania, Public Utility Commission**  
Fixed Utility Financial Analyst  
Bureau of Investigation and Enforcement  
May 2009 – December 2014
- **Commonwealth of Pennsylvania, Public Utility Commission**  
Fixed Utility Financial Analyst  
Bureau of Fixed Utility Services  
April 2008 – May 2009
- **Nationwide Insurance Company**  
Personal Lines Underwriting Screener  
October 2004 – May 2007

**Education**

- **University of Pittsburgh, College of Business Administration**  
Bachelors of Science in Business Administration  
Major – Finance  
August 2004
- **Annual Regulatory Studies Program: Camp NARUC**  
Week 1-Introduction to Regulation  
August 2008
- **Pennsylvania Public Utility Commission Rate Case Training**  
December 2008
- **Society of Utility and Regulatory Financial Analysts**  
Certified Rate of Return Analyst  
June 2010

**Presentations**

- **Pennsylvania Public Utility Commission Rate Case Training**  
Presented on Rate of Return/Return on Equity  
October 2012, September 2014
- **Public Utility Commission of Texas – Rate of Return Training**  
Presented on Rate of Return/Return on Equity  
August 2017 - Present

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**TESTIMONY SUBMITTED:**

I have testified and/or submitted testimony in the following proceedings before the Pennsylvania Public Utility Commission:

- Duquesne Light Company, Docket No. M-2009-2093217
- West Penn Power Company d/b/a Allegheny Power, Docket No. M-2009-2093218
- Duquesne Light Company, Docket No. M-2009-2123948
- West Penn Power Company d/b/a Allegheny Power, Docket No. M-2009-2123951
- Utilities, Inc. – Westgate, Docket No. R-2009-2117389
- Utilities, Inc. of Pennsylvania, Docket No. R-2009-2117402
- PECO Energy Company - Electric Division, Docket No. P-2009-2143607
- PECO Energy Company – Gas Division, Docket No. P-2009-2143588
- Philadelphia Gas Works, Docket No. R-2009-2139884
- York Water Company, Docket No. R-2010-2157140
- City of Lancaster, Docket No. R-2010-2179103
- Columbia Gas of Pennsylvania, Inc., Docket No. R-2010-2215623
- CMV Sewage, Inc., Docket No. R-2011-2218562
- Pennsylvania American Water Company, Docket No. R-2011-2232243
- UGI Penn Natural Gas, Docket No. R-2011-2238943
- Aqua Pennsylvania, Inc., Docket No. R-2011-2267958
- Equitable Gas Company, LLC, Docket No. R-2012-2287044
- Peoples Natural Gas Company, LLC, Docket No. R-2012-2285985
- PPL Electric Utilities Corporation, Docket No. R-2012-2290597
- Columbia Gas of Pennsylvania, Inc., Docket No. R- 2012-2321748
- The City of Lancaster – Sewer Fund, Docket No. R-2012-2310366
- Columbia Gas of Pennsylvania, Inc., Docket No. R-2012-2321748 and M-2012-2323645
- UGI Penn Natural Gas, Docket No. R-2013-2361763
- City of DuBois – Bureau of Water, Docket No. R-2013-2350509
- Pennsylvania-American Water Company, Docket No. R-2013-2355276
- Duquesne Light Company, Docket No. R-2013-2372129
- Pike County Light and Power Company, Gas Division, Docket No. R-2013-2397353
- Pike County Light and Power Company, Electric Division, Docket No. R-2013-2397237
- UGI Penn Natural Gas, Docket No. R-2014-2420273
- Emporium Water Company, Docket No. R-2014-2402324
- City of Lancaster – Water Fund, Docket No. R-2014-2418872
- Peoples TWP, LLC, R-2014-2429613
- Peoples Natural Gas Company, LLC, R-2014-2429606

I have testified and/or submitted testimony in the following proceedings before the Public Utility Commission of Texas and the Texas State Office of Administrative Hearings:

- Custom Water Company, LLC., Docket No. 44236
- City of Austin water rate appeal, Docket No. 42857
- City of Austin wastewater rate appeal, Docket No. 42867 (consolidated with Dkt No. 42857)
- Consumers Water, Inc., Docket No. 43076
- Laguna Vista, LTD. and Laguna Tres, Inc., Docket No. 44046
- Quadvest, L.P., Docket No. 44809
- Monarch Utilities I, L.P., Docket No. 45570
- Corix Utilities (Texas), Inc., Docket No. 45418
- Double Diamond Properties Construction Co. dba Rock Creek, Docket No. 46247
- Liberty Utilities Corp., Docket No. 46256
- Double Diamond Utility Company, Inc., Docket No. 46245