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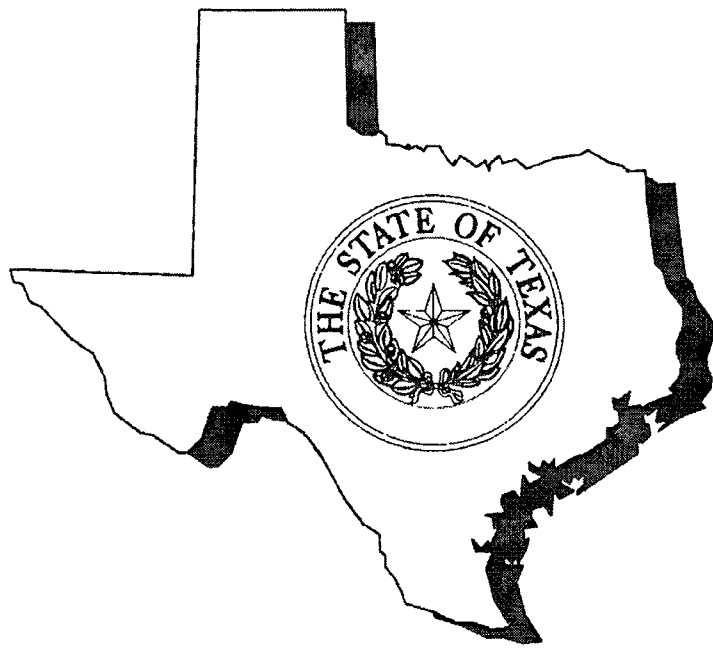
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SOAH DOCKET NO. 473-18-3008.WS
PUC DOCKET NO. 47897

2018 AUG 23 PM 1:48

PUBLIC UTILITY COMMISSION
FILING CLERK

APPLICATION OF FOREST GLEN	§	BEFORE THE STATE OFFICE
UTILITY COMPANY FOR	§	OF
AUTHORITY TO CHANGE RATES	§	ADMINISTRATIVE HEARINGS



DIRECT TESTIMONY OF
GREG CHARLES
WATER UTILITY REGULATION DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS
AUGUST 23, 2018

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1 **I. PROFESSIONAL QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. Greg Charles, 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 September 1, 2016, as an Engineer in the Water Utility Regulation Division.

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

9 A. My responsibilities include reviewing rate filings for water and sewer tariff changes and
10 Certificate of Convenience and Necessity applications. I also participate in negotiation of
11 settlements and prepare testimony and exhibits for contested case matters involving investor-
12 owned, non-profit and governmental water and sewer utilities.

13 **Q. Please state your educational background and professional experience.**

14 A. I provided a summary of my educational background and professional regulatory experience
15 in Attachment GC-1.

16 **Q. Have you previously pre-filed testimony before the Commission or the State Office of**
17 **Administrative Hearings (SOAH)?**

18 A. Yes. A list of the dockets I have filed testimony in is included in Attachment GC-2.

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

20 A. I am testifying on behalf of the Staff of the Public Utility Commission (Staff).
21

22 **II. PURPOSE AND SCOPE OF TESTIMONY**

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

1 A. I am presenting Staff's recommendation for depreciation expense and invested capital
2 including, original cost, accumulated depreciation, and net plant, and a rate design for sewer
3 service. My testimony addresses the following issues from the Commission's preliminary
4 order:

- 5 • What is the appropriate methodology to determine just and reasonable rates in this
6 proceeding?
- 7 • What are the just and reasonable rates for the utility that are sufficient, equitable, and
8 consistent in application to each customer class and that are not unreasonably
9 preferential, prejudicial, or discriminatory? Are the utility's proposed revisions to its
10 tariffs and rate schedules appropriate?
- 11 • What is the original cost of the property used and useful in providing sewer service to
12 the public at the time the property was dedicated to public use? What is the amount, if
13 any, of accumulated depreciation on such property?
- 14 • What is the reasonable and necessary depreciation expense? For each class of property,
15 what are the proper and adequate depreciation rates (including service lives and salvage
16 values) and methods of depreciation? What is the appropriate rate design for each rate
17 class?
- 18 • Should the utility use the current number of connections as of the date of the application
19 as opposed to using the number of test-year-end connections in designing rates?

20 **Q. Please describe the scope of your participation in this proceeding.**

21 A. I reviewed the rate application filed by Forest Glen Utility Company (Forest Glen), as well
22 as discovery responses. I also reviewed the direct testimony and exhibits presented by Forest
23 Glen's witness, Mr. Steven Greenberg, and analyzed the depreciation schedule and proposed
24 rate design. Finally, I calculated Staff's recommended sewer rates using the revenue
25 requirement recommended by Staff witness Fred Bednarski.

1 **Q. What test year did you consider to prepare your testimony?**

2 A. I used Forest Glen's requested test year of January 1, 2016 through December 31, 2016 as
3 indicated in the application.

4

5 **III. RECOMMENDATION**

6 **DEPRECIATION EXPENSE AND INVESTED CAPITAL**

7 **Q. What is your recommended annual depreciation expense, accumulated depreciation,**
8 **and net plant?**

9 A. After careful analysis, I recommend the original cost of \$2,026,113 requested by Forest Glen.
10 I recommend a higher accumulated depreciation than the \$78,942 that was requested, which
11 results in a lower net plant than the \$1,947,170 that was requested. The higher accumulated
12 depreciation of \$126,570 results from the spreadsheet formula that takes into account the
13 number of days in a leap year, and average the number of days over a four year period. My
14 recommendations are summarized in the table below, as well as Attachment GC-3
15 Depreciation Analysis.

Original Cost	Annual Depreciation Expense	Accumulated Depreciation	Net Plant
\$2,026,113	\$68,679	\$126,570	\$1,899,543

16 **Q. Did you make any adjustments to the amount of developer contributions deducted from**
17 **rate base?**

18 A. Yes. Pursuant to 16 Texas Administrative Code (TAC) § 24.31(c)(3)(D), I added \$194,700
19 (Schedule II-3(b), Line No. 7) to the \$1,356,794 included in Forest Glen's amended
20 application for Developer Contributions in Aid of Construction (Schedule III-2, line 11) for
21 a total deduction of \$1,551,494 from the rate base. The basis for this addition is addressed
22 by Staff witness Debi Loockerman.

23 **RATE DESIGN**

1 **Q. What are the current and proposed sewer rates for Forest Glen?**

2 A. Attachment GC-4 Revenue and Rate Calculations is my spreadsheet showing the revenues
3 generated at Forest Glen's current sewer rate of \$35.00, and the proposed rate of \$65.00.

4 **Q. What connection count did you use to prepare your sewer rate design?**

5 A. I used the test year connection count of 149.

6 **Q. What revenue requirement did you use for your rate design?**

7 A. The recommended revenue requirement provided by Mr. Bednarski is \$165,842.

8 **Q. Is the proposed \$30 increase from the current rate of \$35.00 justified?**

9 A. Based on the analysis in the rate design spreadsheet, Attachment GC-4, the rate that will
10 recover \$165,842 is \$92.76. However, Forest Glen has requested a lower rate of \$65.00, and
11 it is my opinion that the proposed rate is reasonable.

12 **REUSE/ RECLAIMED WATER**

13 **Q. In his direct testimony Steven Greenberg claims that all of the assets included on**
14 **Schedule III-3 are related solely to the wastewater utility and not the reuse utility. Do**
15 **you agree with this claim?**

16 A. No, I do not agree. It is true that certain assets within the wastewater treatment plant
17 (WWTP), like the purple pipes and storage tanks, that are only used to treat effluent to the
18 minimum standard for residential irrigation that is required by 30 TAC Chapter 210 were not
19 included in Forest Glen's depreciation schedule. However, the effluent exists because of the
20 wastewater service paid for by Forest Glen's customers, and Forest Glen cannot provide this
21 service without the WWTP assets included in the application. Forest Glen is allowed to earn
22 a return on the invested capital in its application. Therefore, I believe that the assets included
23 in Schedule III-3 are related to both the wastewater utility and the reuse utility.

24 **Q. Does this conclude your direct, pre-filed testimony?**

25 A. Yes, but I reserve the right to supplement this testimony during the course of the proceeding

1 as new evidence is presented.

2

Greg Charles, P.E.

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Austin, Texas 78711-3326
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Work Experience

Engineer IV

9/1/2016 - Present Public Utility Commission, Austin, TX

Process Certificates of Convenience and Necessity (CCN) applications. Perform depreciation studies, quality of service evaluations, design rates for rate applications and testify in hearings.

Engineer III – Project Manager

1/1/2012 - 9/1/2016 Municipal Solid Waste, Waste Permits Division, Texas Commission on Environmental Quality, Austin, TX

Reviewed registration authorizations for landfills and transfer stations applications.

Reviewed authorizations for the scrap tire program, and compost and recycling facilities

Engineer V - Project Manager

6/1/2005 – 1/1/2012 Districts Review Team, Water Supply Division, Texas Commission on Environmental Quality, Austin, TX

Conducted technical reviews and evaluations of municipal district applications: district creations, district bond applications, purchase of facilities, fire plans, surplus funds requests, and district board appointments.

Conducted on the spot district inspections for district bond issues.

Provided expertise for contested cases before the Commission.

Owner/Managing Partner

3/2002 - 4/2004 Trig Inc. dba Golden Chick , Austin, TX

Technical Staff Product/Test Engineer

7/1981 - 3/2002 Product/Test Engineering

Product/Test Engineering at various technology companies including Motorola Inc., Advanced Micro Devices, Ross Technology Inc., Intel Corp, Agere Inc. (Lucent Technology).

Education

5/1980 Howard University, Washington, D.C.

Bachelor's Degree in Electrical Engineering

6/1981 Cornell University, Ithaca, NY

Master of Engineering

List of Pre-filed Testimony

Docket	Case
SOAH 473-17-0529.WS	Complaint of Playa Vista Conroe, a Condominium Association, Inc. Against C & R Water Supply, Inc.
SOAH 473-17-0067.WS	Application of Double Diamond Properties Construction for Water Rate/Tariff Change
SOAH 473-16-4745.WS	Complaint of Yanney Gurrusquieta Against Southern Utilities
SOAH 473-18-0193.WS	Application of the Commons Water Supply, Inc. for Authority to Change Rates

Utility Forest Glen
Docket Number: 47897
SOAH Docket Number: 473-18-3008 WS
Date Examined: 23-Aug-18
Date Referenced: 31-Dec-16

Attachment GC-3

**DEPRECIATION
ANALYSIS**

Contributions in Aid of
Construction:

Description	Acquired Date	Claimed Economic Life, yrs	Claimed Original Cost	% Used & Useful	Ver./Est. Original Cost	Economic Life, yrs	Actual Deprec. Life	Annual Deprec.	Accum. Deprec.	Net Plant*	Developer \$	Customer \$
Land	1-Jul-95	n/a	\$ 80,000	100%	\$ 80,000	n/a	n/a	n/a	n/a	\$ 80,000		
Wastewater Infrastructure												
Infrastructure per	2-Jan-14	50	\$ 213,735	100%	\$ 213,735	50	3 00	\$4,275	\$ 12,804	\$ 200,931		
Infrastructure Unit 2A	2-Jan-14	50	\$ 96,480	100%	\$ 96,480	50	3 00	\$1,930	\$ 5,780	\$ 90,700		
Infrastructure Unit 2B	2-Jan-14	50	\$ 112,017	100%	\$ 112,017	50	3 00	\$2,240	\$ 6,710	\$ 105,307		
Infrastructure Unit 3	2-Jan-14	50	\$ 213,668	100%	\$ 213,668	50	3 00	\$4,273	\$ 12,800	\$ 200,868		
Infrastructure Unit 4	24-Jul-15	50	\$ 484,391	100%	\$ 484,391	50	1 44	\$9,688	\$ 13,952	\$ 470,439		
Infrastructure Unit 5	24-Jul-15	50	\$ 155,463	100%	\$ 155,463	50	1 44	\$3,109	\$ 4,478	\$ 150,985		
Infrastructure Unit 6	2-Jan-16	50	\$ 112,748	100%	\$ 112,748	50	1 00	\$2,255	\$ 2,247	\$ 110,501		
System Equipment												
Wastewater system Equipment	2-Jan-14	20	\$ 340,390	100%	\$ 340,390	20	3 00	\$17,020	\$ 50,977	\$ 289,413		
FG Pump	20-Jul-15	5	\$ 3,861	100%	\$ 3,861	5	1 45	\$772	\$ 1,121	\$ 2,740		
FG Pump	4-Aug-15	5	\$ 7,291	100%	\$ 7,291	5	1 41	\$1,458	\$ 2,056	\$ 5,235		
FG Wastewater System	7-Aug-15	5	\$ 175	100%	\$ 175	5	1 40	\$35	\$ 49	\$ 126		
FG Pump	29-Jul-15	5	\$ 426	100%	\$ 426	5	1 43	\$85	\$ 122	\$ 304		
FG Generator	25-Aug-15	15	\$ 11,148	100%	\$ 11,148	15	1 35	\$743	\$ 1,005	\$ 10,143		
FG Pipe	3-Sep-15	50	\$ 349	100%	\$ 349	50	1 33	\$7	\$ 9	\$ 340		
FG Transformer	4-Sep-15	25	\$ 943	100%	\$ 943	25	1 33	\$38	\$ 50	\$ 893		
FG Auto Dialer	15-Sep-15	5	\$ 1,023	100%	\$ 1,023	5	1 30	\$205	\$ 265	\$ 758		
FG Pump	17-Sep-15	5	\$ 179	100%	\$ 179	5	1 29	\$36	\$ 46	\$ 133		
FG Floats	24-Nov-15	5	\$ 745	100%	\$ 745	5	1 10	\$149	\$ 164	\$ 581		
PG Shed for Tools	1-Dec-15	30	\$ 227	100%	\$ 227	30	1 08	\$8	\$ 8	\$ 219		
FG Grinders	27-May-15	10	\$ 2,007	100%	\$ 2,007	10	1 60	\$201	\$ 321	\$ 1,686		
FG Ladder	14-Jul-15	30	\$ 120	100%	\$ 120	30	1 47	\$4	\$ 6	\$ 114		
Meters	26-May-15	10	\$ 736	100%	\$ 736	10	1 60	\$74	\$ 118	\$ 618		
Transfer Sw tcn	31-Jul-15	15	\$ 1,666	100%	\$ 1,666	15	1 42	\$111	\$ 158	\$ 1,508		
Misc Equipment	31-Dec-15	10	\$ 7,285	100%	\$ 7,285	10	1 00	\$729	\$ 730	\$ 6,555		
Tank Meter	11-Jan-16	10	\$ 1,488	100%	\$ 1,488	10	0 97	\$149	\$ 145	\$ 1,343		
Generator	9-Feb-16	15	\$ 6,367	100%	\$ 6,367	15	0 89	\$424	\$ 379	\$ 5,988		
Propane Tank	15-Feb-16	30	\$ 2,038	100%	\$ 2,038	30	0 88	\$68	\$ 60	\$ 1,978		
480 V System & Meter	26-Apr-16	15	\$ 7,472	100%	\$ 7,472	15	0 68	\$498	\$ 340	\$ 7,132		
Upgrade WWTP Series 3000 MBRR	26-Apr-16	25	\$ 68,485	100%	\$ 68,485	25	0 68	\$2,739	\$ 1,868	\$ 66,617		
New pumps for expansion	29-Apr-16	5	\$ 47,892	100%	\$ 47,892	5	0 67	\$9,578	\$ 6,451	\$ 41,441		
Utility shed	23-Mar-16	30	\$ 227	100%	\$ 227	30	0 77	\$8	\$ 6	\$ 221		
Relief valve	8-Apr-16	10	\$ 1,189	100%	\$ 1,189	10	0 73	\$119	\$ 87	\$ 1,102		
Pump house lighting	19-Apr-16	10	\$ 385	100%	\$ 385	10	0 70	\$39	\$ 27	\$ 358		
Conduit ramp	5-May-16	15	\$ 178	100%	\$ 178	15	0 66	\$12	\$ 8	\$ 170		
Mini storage unit	14-Jun-16	30	\$ 1,743	100%	\$ 1,743	30	0 55	\$58	\$ 32	\$ 1,711		
Chlorinator pump	28-Jul-16	20	\$ 1,052	100%	\$ 1,052	20	0 43	\$53	\$ 22	\$ 1,030		
Fencing	22-Aug-16	20	\$ 3,142	100%	\$ 3,142	20	0 36	\$157	\$ 56	\$ 3,086		
Lift pump station	30-Aug-16	5	\$ 8,053	100%	\$ 8,053	5	0 34	\$1,611	\$ 542	\$ 7,511		
Pump manifold	30-Sep-16	5	\$ 7,909	100%	\$ 7,909	5	0 25	\$1,582	\$ 398	\$ 7,511		
Pumps for expansion	1-Dec-16	10	\$ 21,420	100%	\$ 21,420	10	0 08	\$2,142	\$ 176	\$ 21,244		
								--				
			\$2,026,113		\$2,026,113		\$68,679	\$128,570	\$1,899,543	\$1,551,484	\$13,500	

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[illegible]