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BEFORE THE

APPLICATION OF FOREST GLEN

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UTILITY COMPANY FOR

STATE OFFICE OF

AUTHORITY TO CHANGE RATES

ADMINISTRATIVE HEARINGS

REBUTTAL TESTIMONY

AND

EXHIBITS

ON BEHALF OF

FOREST GLEN UTILITY COMPANY

SEPTEMBER 10, 2018

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

*Application of Forest Glen Utility Company for Authority to Change Sewer Rates*

	<b>FGU-3</b>	<b>Rebuttal Testimony of Steven A. Greenberg</b>
	SAG-5	2017 Annual Report
	SAG-6	Attachment 1-18 to FGU's Response to Staff's First RFI
	SAG-7	Bridge View Resources Rate Sheet

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

**REBUTTAL TESTIMONY**

**OF**

**STEVEN GREENBERG**

**ON BEHALF OF**

**FOREST GLEN UTILITY COMPANY**

**SEPTEMBER 10, 2018**

**REBUTTAL TESTIMONY & EXHIBITS OF STEVEN GREENBERG**

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**EXHIBITS**

Exhibit SAG-5	2017 Annual Report
Exhibit SAG-6	Attachment 1-18 to FGU Response to Staff's First Request for Information (Bates No. FGU0321)
Exhibit SAG-7	Bridge View Resources Rate Sheet

**I. PURPOSE OF TESTIMONY**

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. I am providing rebuttal testimony to the prefiled direct testimony and exhibits of Commission Staff Debi Loockerman, Greg Charles, Andrew Novak and Fred Bednarski, III filed on August 23, 2018. My rebuttal testimony focuses on four (4) main areas: 1) reclaimed water; 2) revenue held in abeyance; 3) capital structure/rate of return; and 4) revenue requirement adjustments by Staff.

**Q. HAVE YOU REVIEWED COMMISSION STAFF'S PREFILED DIRECT TESTIMONY AND EXHIBITS?**

A. Yes, thoroughly. In sum, while we disagree about some of the methodology, we agree with Commission Staff that Forest Glen Utility Company's ("FGU") proposed sewer rate increase from \$35 to \$65 per month is just and reasonable. For that reason, I have limited my rebuttal to just those four (4) discrete areas noted above.

**Q. YOU PREVIOUSLY PROVIDED YOUR BACKGROUND AND QUALIFICATIONS IN YOUR DIRECT TESTIMONY AND EXHIBIT SAG-1. DO YOU HAVE PARTICULAR EXPERTISE IN THE AREAS OF RECLAIMED WATER, REVENUE HELD IN ABEYANCE, CAPITAL STRUCTURE/RATE OF RETURN, AND REVENUE REQUIREMENT ADJUSTMENTS?**

A. I have been a general rate case witness, or prepared testimony and rate case filings, going back to 1996 for Pacific Gas & Electric ("PG&E") in California. Over the past 22 years, I have performed numerous utility acquisition and capital plan rate analysis and financial pro formas for clients such as Cal Water and Severn Trent for utility systems in Texas, California, North Dakota, Washington, Kansas, and Hawaii. I have performed similar work for both water and sewer utilities and small municipalities and agencies either directly or through other clients in Texas such as Canyon Regional Water Agency and County Line Special Utility District. In California, I performed this type of work for the cities of Richmond, Fairfield, Gridley, Lompoc, Jarupa, and Ridgecrest. I have performed the rate

1 analysis and prepared filings for BVRT, LP and CCN applications for Zipp Rd Utility and  
2 Windy Hill Utility.

3 I have provided testimony, assisted in authoring laws and regulations, provided  
4 consultation, or appeared as a witness at proceedings before or on behalf of President  
5 Bush's National Energy Policy, US Congress, Federal Energy Regulatory Commission,  
6 US Dept. of Energy, US Dept. of Defense, California legislature, California Public Utility  
7 Commission, California Energy Commission, New York Public Service Commission, New  
8 York State Energy Research and Development Authority, and Massachusetts Public Utility  
9 Commission on infrastructure, electric utility, and energy policy matters representing both  
10 utility, industry, public, and ratepayer interests. I have been a featured speaker and  
11 presenter at national organizations and investor conferences on infrastructure and utility  
12 investment.

13 I am the managing director of Bridge View Resources, an engineering consulting firm.  
14 Bridge View Resources has been in business since 2007. Bridge View has designed or  
15 performed evaluations of physical plant, operations, and maintenance operations for sewer,  
16 water, and electric utility systems on US Air Force, Army and Marine bases in Texas,  
17 California, North Dakota, Washington, Kansas and Hawaii, New Mexico, and Maryland.

18 I have worked in the area of reclaimed and recycled water and water efficiency projects for  
19 over 15 years. This work has included designing physical systems and performing  
20 economic analysis for providing reclaimed/recycled water systems. BVRT, LP performed  
21 a study for the Dallas County Utility and Reclamation District (DCURD) for the  
22 privatization and expansion of the Los Colinas Reclaimed Water System. The study looked  
23 at reclaimed water utility in terms of economics, rates, costs, and the public policy aspects  
24 of the applications. BVRT, in addition to FGU, is providing consulting services for reuse  
25 water for Windy Hill Utility and the surrounding developments and for County Line  
26 Special Utility District in Hays County, Texas.

27 Through Bridge View Resources, I have worked on a study on behalf of the CA  
28 Infrastructure State Revolving Fund (ISRF) Program that evaluated creating a regional  
29 reclaimed water infrastructure system for Contra Costa County, on an analysis to create a

1 regional reuse water infrastructure system for Cal Water, Beale AFB, and Yuba County,  
 2 and on evaluation of technologies and their commercial application for Navy bases  
 3 worldwide through NAFAC's Office of R&D Commercialization. The studies looked at  
 4 reclaimed water utility in terms of economics, rates, costs and the public policy aspects of  
 5 the applications.

6 **Q. WHAT EXHIBITS HAVE YOU PREPARED IN SUPPORT OF YOUR REBUTTAL**  
 7 **TESTIMONY?**

8 A. SAG-5 (2017 Annual Report), SAG-6 (Attachment 1-18 to FGU's Response to Staff's First  
 9 RFI (Bates No. FGU0321)) and SAG-7 (Bridge View Resources Rate Sheet).

## 11 **II. RECLAIMED WATER**

12 **Q. GENERALLY, DO YOU AGREE WITH STAFF'S TESTIMONY ON**  
 13 **RECLAIMED WATER?**

14 A. No. Staffs' testimony about the FGU reclaimed water utility was inaccurate or uninformed.  
 15 For example, Ms. Loockerman, Mr. Charles, and Mr. Bednarski all seem to start from the  
 16 assumption that reclaimed water would not exist but for the existence of the sewer plant,<sup>1</sup>  
 17 that reclaimed water was the sole intended purpose of the wastewater treatment plant, and  
 18 that the Commission should deduct revenue earned by the reclaimed water utility from the  
 19 sewer utility's revenue requirement. Their assumptions are wrong. As I explained in my  
 20 Direct Testimony, the reclaimed water utility is a stand-alone utility that sells non-potable  
 21 water which the Commission does not regulate. FGU does not recover the costs for the  
 22 reclaimed water utility through the sewer rate. All FGU costs are separated between the  
 23 two different utilities: the sewer utility and the reclaimed water utility. Whenever FGU  
 24 receives invoices for services that are not specific to either utility, then the costs are  
 25 allocated based on the percentage of asset book value for each utility. For example, if the  
 26 total book value of the assets for both utilities were \$1,000,000 and if \$750,000 of the  
 27 assets were associated with the sewer utility, then any general invoices not identifiable as

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<sup>1</sup> Direct Testimony of Debi Loockerman, p. 7, lns. 5-6.



1 sewer utility or reclaimed water utility would be allocated with 75% of the cost allocated  
2 to the sewer utility and 25% of the cost allocated to reuse utility.

3 In addition, Staff has made a claim that reuse revenue should be included in FGU's overall  
4 revenue to determine a sewer rate. Even if the Commission had jurisdiction over the sale  
5 of non-potable water, then the reclaimed water utility would have to undergo its own rate  
6 case analysis no different than a potable water utility or a sewer utility has to have its own  
7 rate analysis. If there was a reclaimed water utility rate case, then the Commission would  
8 have to include all of the costs of providing the reclaimed water, and the Staff omitted the  
9 costs in its arguments.

10 Finally, the FGU residents receive non-potable reclaimed water from FGU at a rate  
11 discounted between 19% and 27% from the potable water charge for the same amount of  
12 water. Additionally, the non-potable water provided to the customers for irrigation is  
13 primarily groundwater and only a portion includes reclaimed water. Non-potable well  
14 water is mixed with the reclaimed water utility water to meet all of the customers' demand  
15 for irrigation water. At times, the raw groundwater comprises 100% of the irrigation water.  
16 Therefore, the assumption that the reclaimed water utility system only exists because of  
17 the sewer system is false. That's like saying the sewer system only exists because of the  
18 potable water system, and the rates for the potable water system should be reduced by the  
19 income generated from the sewer utility.

20 **Q. MS. LOOCKERMAN TESTIFIED THAT FGU'S ATTEMPT TO SEPARATE**  
21 **REUSE COSTS AND REVENUES FROM WASTEWATER WAS FLAWED, NOT**  
22 **ACCEPTABLE, AND APPARENTLY REQUIRED FGU TO SPEND**  
23 **"SIGNIFICANT AMOUNTS OF MONEY." DO YOU AGREE WITH THIS**  
24 **TESTIMONY?**

25 **A.** No, I strongly disagree. First, Ms. Loockerman seems to imply that FGU did not separate  
26 costs for the sewer utility and for the reclaimed water utility in the past. As a matter of  
27 practice, FGU separated the assets, revenues, and expenses between the two different  
28 utilities in its books since 2014, the period for which I have been the CEO. Our tax returns  
29 do not require the separation of the sewer utility from the reclaimed water utility and thus

1       there is no separation shown on federal tax returns. However, the filing requirements for  
 2       a tax return should in no way be construed that FGU does not account for the costs and  
 3       revenue separately on its books. FGU showed those separations clearly in its original  
 4       submittals. Second, solely due to a request from Staff in direct response to Staff's Second  
 5       RFI 2-7, 2-9 and 2-11, FGU modified the categorization of the QuickBooks accounts into  
 6       two asset classes so that the differentiation would be easier for Staff to discern. FGU  
 7       presented it this way *at Staff's request*. I cannot understand how Ms. Loockerman could  
 8       have a basis from which to make a comment as to what cost or expense was incurred in our  
 9       attempt to satisfy a request from her staff. The fact is that our bookkeeper, in conjunction  
 10      with our CPA, made the changes and the costs were modest.

11   **Q.   DO YOU AGREE WITH MS. LOOCKERMAN'S STATEMENT THAT REUSE**  
 12   **REVENUES ARE ONLY POSSIBLE BECAUSE OF THE EXISTENCE OF THE**  
 13   **SEWER PLANT, THAT ALL THE SEWER UTILITY IS NECESSARY TO**  
 14   **PRODUCE (AND SELL) RECLAIMED WATER?<sup>2</sup>**

15   A.   No. The reclaimed water utility has a separate water distribution system – sometimes  
 16       referred to as a purple pipe system – that delivers non-potable water to the utility's  
 17       customers. The sewer utility does not produce enough water to meet the irrigation demands  
 18       of the Potranco Ranch Subdivision. FGU therefore uses a groundwater well to augment  
 19       the amount of reclaimed water available for distribution of non-potable irrigation water.  
 20       During the summer months, the amount of groundwater often exceeds 60% of the total  
 21       volume delivered through the purple pipe system. Furthermore, FGU sells the non-potable  
 22       water to customers at a significant discount, between 19% and 27% to potable water, thus  
 23       a substantial economic benefit is provided to customers as well.

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<sup>2</sup> *Id.*, lns. 9-10 and p. 8, lns. 4-5.

1   **Q.   MR. CHARLES USES THIS SAME REASONING WHEN HE CONCLUDES THAT**  
 2       **THE ASSETS INCLUDED IN SCHEDULE III-3 ARE RELATED TO BOTH**  
 3       **SEWER AND REUSE.<sup>3</sup> WHY?**

4   A.   He does, and his argument is likewise flawed. He mistakenly assumes that the ratepayers  
 5       have paid for the reclaimed water utility. He argues that because the sewer utility is  
 6       producing effluent, and customers are paying for sewer utility service, then any water that  
 7       the reclaimed water utility recovers and utilizes is somehow for the benefit of the sewer  
 8       utility. Mr. Charles ignores the fact that the TCEQ issued a TPDES discharge permit to  
 9       the sewer utility, and the sewer utility could discharge that water. As described above, the  
 10      treated effluent comprises a minority of the total reclaimed water delivered through the  
 11      purple pipe system. The owners of the reclaimed water utility paid for the purple pipe  
 12      infrastructure. The operational costs of the reclaimed water utility are paid through the  
 13      reclaimed water utility rates, with the FGU shareholders paying for any shortfalls for that  
 14      separate utility. FGU would and could provide 100% of the irrigation water needed though  
 15      its groundwater well, if required. FGU, at FGU's own cost and expense, not the  
 16      Ratepayers, is providing a public and environmental benefit by treating the effluent to Type  
 17      1 standards and reusing it instead of discharging into a stream. Unless and until the  
 18      Legislature or courts change the Commission's jurisdiction, the purple pipe system is not  
 19      a cost of service enterprise that the Commission regulates.

20   **Q.   IS MS. LOOCKERMAN'S ANALOGY TO THE SJWTX DBA CANYON LAKE**  
 21       **CASE REGARDING WHOLESALE REVENUES APPROPRIATE IN FGU'S**  
 22       **CASE?**

23   A.   No. As described above, the reclaimed water utility provides non-potable water to its  
 24       customers. In the Canyon Lake case, the Commission allowed for the consideration of the  
 25       wholesale revenue because Canyon Lake's wholesale system sold *potable water* through  
 26       its retail, *potable water utility*. Again, the Commission has statutory jurisdiction over the  
 27       sale of *potable water*. Ms. Loockerman wrongly attempts to make a connection between

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<sup>3</sup> Direct Testimony of Greg Charles, p. 6, Ins. 19-23.

1 Canyon Lake's sale of potable water on a wholesale and retail basis and FGU's separate  
2 retail utilities: a regulated sewer utility and a non-regulated, non-potable water utility.

3 **Q. SIMILAR TO STATEMENTS MADE BY MS. LOOCKERMAN, MR. BEDNARSKI**  
4 **DEDUCTED NET INCOME FROM REUSE FROM THE COST OF SERVICE OF**  
5 **\$35,867 CONSIDERING IT "OTHER REVENUE."<sup>4</sup> WAS HIS REDUCATION**  
6 **APPROPRIATE?**

7 A. It was not appropriate to use income from one utility to reduce a separate utility's revenue  
8 requirement. As stated above, FGU strongly disagrees with this approach. On Page 17,  
9 Lines 1 through 12, Mr. Bednarski makes an argument that Other Revenues should be  
10 reduced based upon the revenue received by the reclaimed water utility.<sup>5</sup> Even if the  
11 Commission had jurisdiction over reclaimed water, then that utility's rates would be  
12 handled as a completely separate rate case, and many factors would have to be considered.  
13 FGU's request for sewer rates is based entirely on the revenues and expense associated  
14 with providing sewer service.

15 Not only is Staff's consideration of reuse outside Commission jurisdiction, but  
16 consideration of the reclaimed water utility revenues without also including the reclaimed  
17 water utility's investment and its expenses is flatly wrong. Accordingly, although we  
18 previously provided all of our financial records and ledger that clearly show the  
19 differentiation and categorization of sewer and reclaimed water, we did not provide the  
20 documentation of the reuse expenses of \$64,856. However, if the Administrative Law  
21 Judge ("ALJ") believes she must take FGU's revenue from its reclaimed water utility into  
22 account to derive the appropriate Cost of Service and ultimately rates, then the ALJ must  
23 also include the reclaimed water utility's infrastructure costs, the return on investment for  
24 that investment, the depreciation on that investment of \$104,775, and the expenses  
25 associated with that utility, keeping in mind that the reclaimed water utility had a net loss  
26 of \$70,748 for the test year 2016.

27

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<sup>4</sup> Direct Testimony of Fred Bednarski, III, p. 17, lns. 1-12.

<sup>5</sup> *Id.*

**III. REVENUE HELD IN ABEYANCE**

**Q. MS. LOOCKERMAN STATES THAT NEITHER THE WATER CODE NOR COMMISSION RULES MENTION REVENUES HELD IN ABEYANCE AND GENERALLY DO NOT APPROVE THESE AS A REGULATORY ASSET (WITH A CARRYING CHARGE).<sup>6</sup> IS THAT WHAT FGU IS REQUESTING?**

**A.** The terminology of “revenue held in abeyance” is misleading, as FGU is actually requesting the establishment of “balancing accounts,” which is well established in the regulated utility industry in jurisdictions such as Arizona, California, Colorado, Delaware, Florida, Idaho, Illinois, Indiana, Kentucky, Missouri, Nevada, New Jersey, New York, Ohio, Pennsylvania, and Washington, (for example see the 2011 Western Conference of Public Service Commissioners: Presentation on Tradition and Transformation and 2006 The National Regulatory Research Institute presentation on Surcharges, Adjustment Clauses, and Other Cost Recovery Mechanisms by Melissa J. Stanford.) Balancing accounts are not unprecedented in Texas - 16 TAC § 24.21(b)(2)(C)(i) states: “a utility that purchases water or sewage treatment and whose rates are under the original jurisdiction of the commission may include a provision in its tariff to pass through to its customers changes in such costs. . . .” Additionally, 16 TAC § 24.21 (b)(2)(G)(ii) states:

If authorized by the commission or the municipality exercising original jurisdiction over the utility, a surcharge to recover the actual increase in costs to the utility may be collected over a specifically authorized time period without being listed on the approved tariff for:

- (I) sampling fees not already recovered by rates;
- (II) inspection fees not already recovered by rates;
- (III) production fees or connection fees not already recovered by rates charged by a groundwater conservation district; or
- (IV) other governmental requirements beyond the control of the utility.

These are examples of surcharges tracked in balancing accounts. For small utilities serving newly established isolated communities where there are no other municipal services, establishing rates that achieve cost recovery is a particularly challenging exercise. At the

<sup>6</sup> Direct Testimony of Debi Loockerman, p. 3, lns. 17-18 and p. 5, lns. 9-10.

1       outset, a large capital investment in plant is made and operating costs are mostly fixed (as  
 2       our testimony and submittals document, 90% of costs are fixed). As a rule of thumb, our  
 3       experience indicates and our financials prove, over 300 customers are needed to cover costs  
 4       and over 350 are needed to earn a reasonable rate of return. The challenge then is how to  
 5       fairly establish rates and allocate costs for the start-up period which could be between 3-5  
 6       years depending on the rate of home sales. When there are not enough ratepayers over  
 7       which to spread the fixed costs and keep rates affordable, the utility is realizing a loss. We  
 8       attempt to make rates affordable for the ratepayers by holding rates at a level which are  
 9       comparable with other nearby communities. Clearly the ratepayers, developers and  
 10      environment (the public enjoys the environmental benefits) are receiving a benefit from  
 11      having a sewer system as opposed to septic systems. It is neither fair nor reasonable that  
 12      the utility bears the costs of providing the benefit without a means to achieve cost recovery  
 13      at the very least and a reasonable profit as a matter of public law and policy.

14   **Q.   MS. LOOCKERMAN SUGGESTS THAT IF FGU GOT TO RECOVER THE**  
 15   **AMOUNT PLACED INTO THE BALANCING ACCOUNTS VIA SURCHARGES,**  
 16   **THIS COULD BE IN ADDITION TO FUTURE RATE INCREASES WHICH SHE**  
 17   **IMPLIES IS UNFAIR.<sup>7</sup> DO YOU AGREE?**

18   **A.**   No. By definition, balancing accounts and cost adjustment mechanisms apply to costs  
 19       and revenues outside of general rates. What would be unfair would be for FGU to  
 20       increase rates to the \$90 per month rate that Staff says is justified. Further, what would  
 21       be unfair would be to penalize FGU for providing a benefit to the ratepayers by  
 22       foregoing a substantial increase in rates today and not allowing a mechanism to   recover  
 23       those costs over time in a manner that provided as little impact on ratepayers as   possible.

24   **Q.   DO YOU UNDERSTAND WHY THE CARRYING CHARGE WOULD BE ZERO**  
 25   **AS SHE ARGUES THE “REGULATORY ASSET IS A PRODUCT OF**  
 26   **MANAGEMENT’S DECISION”?<sup>8</sup>**

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<sup>7</sup> *Id.*, p. 5, lns. 13-19.

<sup>8</sup> *Id.*, p. 6, lns. 15-18.

1 A. The rate of return on the balancing account should be the same as the cost of debt. It is  
 2 not a management decision to charge less than the cost of service, it is the right, fair and  
 3 reasonable thing to do in the early years. The utility is in effect, loaning the ratepayers  
 4 money to cover the costs and that loan should earn a rate of return comparable with the  
 5 rates for borrowing money under similar terms.

6 **IV. CAPITAL STRUCTURE/RATE OF RETURN**

7 **Q. DO YOU AGREE WITH MR. NOVAK'S BASIC EXPLANATION OF RATE OF**  
 8 **RETURN ("ROR")?**

9 A. No, I disagree with Mr. Novak testimony in general. It shows a lack of understanding of  
 10 small utility fundamentals and utility finance in general. Mr. Novak defines ROR as, "the  
 11 amount of revenue an investment generates (in the form of net income), usually  
 12 expressed as a percentage of the amount of capital invested, over a given period of time.  
 13 ROR is one of the components of the revenue requirement formula."<sup>9</sup> Mr. Novak  
 14 demonstrates a lack of basic utility financial concepts by starting his testimony with this  
 15 incorrect definition. ROR is a rate, it is not an amount of revenue generated. With this  
 16 basic error, I question any of Mr. Novak's further assumptions.

17 **Q. WHAT ABOUT THE FAIR AND REASONABLE OVERALL RATE OF RETURN?**

18 A. I agree with Mr. Novak's presentation of the standard for reasonableness of return. By  
 19 his presentation he makes the case that FGU should be allowed the rate it has requested,  
 20 \$65 per month. Mr. Charles also supports this in his testimony on page 6:

21 Q. Is the proposed \$30 increase from the current rate of \$35.00  
 22 justified?  
 23

24 A. Based on the analysis in the rate design spreadsheet, Attachment  
 25 GC-4, the rate that will recover \$165,842 is \$92.76. However,  
 26 Forest Glen has requested a lower rate of \$65.00, and it is my  
 27 opinion that the proposed rate is reasonable.<sup>10</sup>  
 28

<sup>9</sup> Direct Testimony of Andrew Novak, p. 4, ln. 22 through p. 5, ln. 1.

<sup>10</sup> Direct Testimony of Greg Charles, p. 6, lns. 8-11.

1 While FGU disagrees with Staff that \$165,842 is the appropriate revenue requirement to  
 2 be recovered, FGU agrees with Mr. Charles that FGU should be allowed to charge a much  
 3 higher rate. However, if FGU were to charge the \$92.76 per month as Staff recommended,  
 4 then ratepayers would incur an even greater burden than the FGU requested rate of \$65 per  
 5 month.

6 **Q. IS HIS USE OF THE PROXY OR BAROMETER GROUP APPROACH**  
 7 **APPROPRIATE?**

8 A. No, he uses the wrong barometer. His barometer includes American States Water  
 9 Company, American Water Works, Aqua America, California Water Service Group,  
 10 Middlesex Water Company, and York Water. These are huge corporations with billions  
 11 of dollars in assets. It is not reasonable for Staff to make a comparison between a small  
 12 utility with less than 500 customers and larger utilities with 1,000s of customers as Mr.  
 13 Novak has in is argument for using a barometer. In fact, Mr. Novak makes the case for  
 14 FGU's position on page 5 of his testimony (emphasis added):

15 1) A utility is entitled to a return *similar to that being earned by other*  
 16 *enterprises with corresponding risks and uncertainties*, but not as high as  
 17 those earned by highly profitable or speculative ventures;  
 18

19 2) A utility is entitled to a return level reasonably sufficient to assure  
 20 financial soundness;  
 21

22 3) A utility is entitled to a return sufficient to maintain and support its  
 23 credit and raise necessary capital;<sup>11</sup>  
 24

25 **Q. THEN IT IS NOT AN APPLES TO APPLES COMPARISON?**

26 A. Correct, the risk profile of a small utility is not even in the same universe as the barometer  
 27 group Mr. Novak has cited. Small utilities that start with no customers like FGU are not  
 28 able to borrow money from banks, let alone issue bonds. Thus, there is no real weighted  
 29 cost of capital. The primary means available to finance small utilities is owner equity.  
 30 Staff cannot compel a bank to lend money to FGU anymore than FGU can compel a bank

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<sup>11</sup> Direct Testimony of Andrew Novak, p. 5, lns. 21-26.



to lend it money. Understanding this, small utility companies that are building infrastructure for new communities utilize equity and cost sharing in the form of developer agreements whereby the developers or builders pay a portion of the costs in the form of developer fees or connection fees. These fees if declared as income as FGU has done are not CIAC. FGU has utilized these fees to provide the funds to cover the operating losses in the first years. This mechanism actually saves the ratepayers money as there is no interest charged on the money and it is not added into the rate base.

The following comparison depicts the stark contrast between Mr. Novak's barometer group utilities earning an average ROR of 10.78% and FGU (based on its 2017 Financial Report), indicating that the requested ROR of 11.9% in its Application is reasonable:

Barometer Group Company	Symbol	Market Cap	ROE
American States Water Co.	AWK	\$ 14,090,000,000	7.90%
American Water Works	AWR	\$ 1,190,000,000	13.60%
Aqua America	CTWS	\$ 599,580,000	9.20%
California Water Service	CWT	\$ 1,820,000,000	10.30%
Connecticut Water Service	MSEX	\$ 564,800,000	9.30%
Middlesex Water	SJW	\$ 1,100,000,000	12.70%
SJW Corp	WTR	\$ 5,980,000,000	12.50%
York Water	YORW	\$ 365,860,000	10.70%
Average:		\$ 3,213,780,000	10.78%
Forest Glen 2016 Test Year (FGU is not publicly-traded, does not have a market cap, and earned a negative ROE until 2017)		Forest Glen Asset Book Value: \$2,231,986	-2%

**Q. MR. NOVAK IMPOSES A HYPOTHETICAL CAPITAL STRUCTURE OF 50% DEBT AND 50% EQUITY. IS THIS REASONABLE?**

1 A. No. Rates and the costs associated with rates are supposed to be based on a historical test  
 2 year adjusted for known and measurable changes. FGU's historic test year was 2016, and  
 3 FGU had \$0 in debt during the historic test year. In 2017 as our submittals show, we  
 4 borrowed \$225,000 to finance the next required capital expansion of the sewer utility and  
 5 to provide sufficient operating revenues. In order to obtain this loan, the bank required the  
 6 shareholders to make personal guarantees on the loan. Our request for rates does not  
 7 include 2017 capital additions or the interest expenses on this amount and thus the net  
 8 effect on our request is zero. Furthermore, the use of an arbitrary 50/50 debt to equity ratio  
 9 (D/E Ratio) penalizes a utility and its ratepayers such as FGU with no debt as in its test  
 10 year, or with 10/90 D/E Ratio as was the case in 2017. In 2018, the debt will be retired or  
 11 nearly so. FGU is being financially responsible in reducing its debt and not adding  
 12 needless debt just to satisfy an arbitrary ideal 50/50 D/E Ratio that does not accurately  
 13 reflect the actual financial situation of the utility.

14 **Q. DOES ASSIGNING DEBT TO FGU ACCURATELY REFLECT ITS CAPITAL**  
 15 **STRUCTURE DURING THE TEST YEAR?**

16 A. No. Pursuant to 16 TAC §24.3 l(b),

17 ... only those expenses that are reasonable and necessary to provide service  
 18 to the ratepayers may be included in allowable expenses. In computing a  
 19 utility's allowable expenses, only the utility's *historical test year expenses*  
 20 *as adjusted for known and measurable changes may be considered.*

21 Thus, assigning of a hypothetical debt component to FGU's capital structure does not  
 22 reflect its actual capital structure in the test year. Furthermore, 16 TAC §24.31(c)(B)(i)  
 23 states that the cost of debt capital is the actual cost of debt. The use of a hypothetical debt,  
 24 not the actual debt of FGU, in determining the return component in the revenue requirement  
 25 does not accurately reflect the historical cost in the test year contrary to the plain meaning  
 26 of Commission rules.

27

1 **Q. DO YOU AGREE WITH MR. NOVAK'S RECOMMENDED 6.88% OVERALL**  
 2 **RATE OF RETURN?<sup>12</sup>**

3 A. No. Mr. Novak bases his entire argument on his premise and analysis that FGU is  
 4 comparable to one of the six largest water utilities in the US. If FGU were one of these,  
 5 then his argument would have merit. However, it is a fundamental flaw to compare FGU  
 6 to a billion-dollar company. His use of DCF also conveniently ignores that fact that FGU  
 7 has and will operate at loss for its first 5 years. While he has not provided his worksheets,  
 8 I suspect that if he plugged those negative values in, there would be a higher ROR  
 9 recommendation. Mr. Novak does not seem to understand that Staff cannot compel a bank  
 10 to loan money to an entity, especially a small business. And even if somehow Staff could  
 11 force a bank to provide loans to small, investor-owned utilities, the current cost of debt for  
 12 even a moderately risked entity with full collateral is between 6-10 %. However, banks do  
 13 not recognize sewer and water systems as collateral. Therefore, small, investor-owned  
 14 utilities like FGU must have owners put up personal guarantees and that risk adjusted  
 15 discount rate is between 10% and 18%. The TCEQ and Commission have approved ROR  
 16 between 9.9% and 11.99% for many utilities. FGU is merely asking for a ROR comparable  
 17 to other utilities, as shown on the table above.

18 **Q. IS MR. NOVAK'S DFC ANALYSIS APPROPRIATE FOR FGU?**

19 A. Return as a component of the revenue requirement is founded on the rate base or invested  
 20 capital of the utility. A utility such as FGU that has a limited customer base and does not  
 21 have the need for additional large capital investment means a DCF model based on growth  
 22 for dividends is not an accurate method for determining a return on equity. This is another  
 23 limitation of the DCF model used by Mr. Novak in his testimony. His model determines  
 24 a return of equity component based solely on growth, whereas FGU has very limited  
 25 growth potential. Investors given a preference of a utility with growth potential and a  
 26 utility that has limited growth would prefer a utility with a growth potential. Many small  
 27 privately-owned utilities like FGU never pay dividends, which means investors expect  
 28 equity capital will earn a higher rate of return for those investors by reinvesting in the

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<sup>12</sup> *Id.*, p. 13, ln. 3.

1 business, rather than by paying a dividend. Thus, a utility such as FGU with low growth  
 2 potential would require a higher rate of return than a utility with growth potential to attract  
 3 investors. Mr. Novak's model does not take this factor into consideration. Further, Mr.  
 4 Novak has not taken into account FGU's limited growth rate as he states that he has used  
 5 the barometer group's forecasted growth rate in his DCF analysis. In addition, Mr. Novak's  
 6 DCF does not utilize data within the test year, it does not account for the fact that a small  
 7 utility like FGU lacks access to public financing markets, and his model does not account  
 8 for a risk premium for a utility of the size, capital structure, and private company status  
 9 that differs significantly from the group of utilities that Mr. Novak included in his  
 10 barometer group. Mr. Novak fails to make the appropriate adjustments to his model for  
 11 these significant differences.

## 12 V. REVENUE REQUIREMENT ADJUSTMENTS

13 **Q. OTHER THAN THE ADJUSTMENTS MR. BEDNARSKI MADE TO THE**  
 14 **REVENUE REQUIREMENT BASED ON REUSE REVENUE, DO YOU HAVE**  
 15 **ANY OTHER OBJECTIONS?**

16 **A.** Yes, I strongly disagree with Mr. Bednarski's testimony in several respects. First, on page  
 17 8, line 7 of his testimony relating to the summary of FGU's request, he states that the Test  
 18 Year Revenue Requirement is \$53,171. This is an error. The \$53,171 amount was the  
 19 total revenue received from sewer operations as shown on Sched I-1 line 29, not the  
 20 Revenue Requirement for 2016. The actual total expenses to which recovery would apply  
 21 as shown on line 28 of Schedule I-1 was \$191,482. There was zero return in 2016. In fact,  
 22 there was a loss \$138,311 (Line 30). He states that FGU is asking for an increase to the  
 23 revenue requirement of \$256,400. This number is shown on Line 33 of Schedule I-1. Line  
 24 33 is an error inherent on the Commission's form as it is asking for the sum of the revenue  
 25 received in the test year plus the new revenue requirement. The form does not provide for  
 26 a situation like ours where the utility received substantially less than the Revenue  
 27 Requirement. In fact, we are asking for an increase in the revenue requirement of  
 28 \$118,089. The Revenue Requirement in 2016 of \$191,482 plus the Known and Measurable  
 29 changes of \$45,176 = \$236,657. The total revenue requirement is the \$236,657 amount

1 plus a Requested Return of \$72,914, which totals of \$309,571. \$309,571 minus the 2016  
 2 expenses of \$191,482 is an increase of \$118,089 over the 2016 expenses. However, the  
 3 2016 expenses do not include a Return. If FGU included the Return, it should have been  
 4 entitled to \$72,914 then the 2016 Revenue Requirement is \$264,396. Using this as the  
 5 proper and true metric, FGU is in fact asking for a total Revenue Requirement increase of  
 6 \$45,176 which is the K&M amount indicated on Line 28 of Schedule I-1.

7 **Q. WITH RESPECT TO HIS ANALYSIS OF THE GENERAL LEDGER, WHAT**  
 8 **MISTAKES DID YOU FIND?**

9 A. On Page 10, Line 7, Mr. Bednarski states that the general ledger expenses did not match  
 10 the application and that there was no reconciliation provided.<sup>13</sup> However, FGU provided  
 11 the reconciliation requested by Staff on several occasions through discovery, which he  
 12 concedes later in his testimony on Page 11, Line 19 (where he made a recommendation to  
 13 change Other Volume Related Expenses “based on reconciliation to the 2017 GL”).<sup>14</sup>

14 **Q. WHAT ABOUT ADJUSTMENTS TO PURCHASED POWER?**

15 A. On Page 11, Line 9, Mr. Bednarski states that there is a \$660.48 increase in Power Costs  
 16 from 2016 to 2017, yet the actual power costs for the sewer utility for 2016 are \$10,704.  
 17 The costs for 2017 are \$17,691 (Line 7) as submitted in our 2017 Annual Report.<sup>15</sup> That  
 18 is an increase of \$6,987, not \$660.48. FGU Exhibit SAG-3 (Bates No. FGU0609),  
 19 Schedule I-1 Line 2 indicates the increase is \$6,327. There is a discrepancy of \$660. It  
 20 appears that Mr. Bednarski has made an error in his calculation or cell reference, and he  
 21 has inadvertently confused the actual increase of \$6,327 with the slight discrepancy on  
 22 Schedule I-1.

23

<sup>13</sup> Direct Testimony of Fred Bednarski, III, p. 10, ln. 7.

<sup>14</sup> *Id.*, p. 11, lns. 17-19.

<sup>15</sup> See attached Exhibit SAG-5, 2017 Annual Report.

1 **Q. ARE THERE OTHER PROBLEMS WITH HIS VOLUME RELATED EXPENSE**  
 2 **ADJUSTMENTS?**

3 A. Yes, on Page 11, Lines 16-17, Mr. Bednarski states that the general ledger does not support  
 4 the percentage increases. However, the application was originally prepared prior to  
 5 having final 2017 financials. The percentage increases on Schedule 1-4 accurately  
 6 reflect the percentage increase in number of connections from 2016 to 2017. This percent  
 7 increase was cited on several of the application schedules. However, all of the dollar values  
 8 represented in the revised application are based on actual 2017 costs, not percent increases.  
 9 Mr. Bednarski did not take that into consideration. FGU inadvertently overlooked revising  
 10 the footnote on the schedules when the revised Application was submitted in February  
 11 2018. Nevertheless, the increases we have provided are actual, real, and measurable. The  
 12 categorization, allocation, and reconciliation from one account to another is difficult,  
 13 because the Commission's accounts for their annual reports do not match the form of their  
 14 rate application. However, at the end of the day, the operating expenses are what they are,  
 15 whether the expenses are placed in account 620 on the Annual Report or 664 on the Rate  
 16 Application. The total expenses, *actual* not forecast, for 2017 as reported on the FGU  
 17 Annual Report Line 22 are \$242,089 and does not include interest expense of \$2,795 (Line  
 18 26) or a credit of \$790 (Line 24) for total expenses of \$244,094.<sup>16</sup> Rate Application  
 19 Schedule I-1 Line 28, provides the Total Expenses of \$236,657. The discrepancy of \$7,437  
 20 is in favor of the Ratepayers. Again, the Schedule I-4 footnote reference of a 53% increase  
 21 should be ignored in favor of the actual changes incurred in 2017 above the 2016 expenses.

22 **Q. WHAT OTHER "MATERIAL" ADJUSTMENTS WERE MADE?**

23 A. This adjustment relates back to my previous testimony on the reclaimed water utility. On  
 24 Page 11, Lines 20-21, Mr. Bednarski states, "[m]y second adjustment to Materials is a  
 25 reduction in the amount of \$13,347.80, which was identified as a reuse expense on the  
 26 invoice provided."<sup>17</sup> While he is correct that the handwritten note on the actual invoice

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<sup>16</sup> *Id.*

<sup>17</sup> Direct Testimony of Fred Bednarski, III, p. 11, lns. 20-21.

1 states among other things that, “reclaimed water utility - \$13,347.80,”<sup>18</sup> this was in error  
 2 as the expense is actually for pump and haul of sewage, which is exclusively a sewer  
 3 expense relating to the necessary evacuation of the sewer utility. However, the \$13,347.80  
 4 was correctly accounted for in FGU’s books as Other Maintenance sewer expense on the  
 5 2016 General Ledger.

6 **Q. WERE THERE PROBLEMS WITH HIS OFFICE SUPPLIES AND EXPENSES**  
 7 **ADJUSTMENTS?**

8 A. Yes, on Page 12, Line 16, Mr. Bednarski states that he has removed the K&M amount of  
 9 \$1,295 as it was based on an expected 53% increase.<sup>19</sup> However, as stated above, all of  
 10 the 2017 known and measurable amounts are *actual costs*. Therefore, his recommendation  
 11 should be ignored accordingly.

12 **Q. HOW DID MR. BEDNARSKI TREAT RETURN ON INVESTED CAPITAL AND**  
 13 **TOTAL INVESTED CAPITAL?**

14 A. On Page 14, Line 14 through Page 15, Line 2, Mr. Bednarski recommends reducing the  
 15 amount of invested capital to \$331,714 with a flawed ROR of 6.88% for a total return on  
 16 capital of \$22,822. We strongly disagree with this recommendation. First, as described in  
 17 our rebuttal to Mr. Novak, there is no weighted cost of capital. It was not possible to obtain  
 18 debt from any local banks prior to 2017, and FGU took prudent management measures  
 19 such as investing its own income to cover capital and operating costs at zero interest and  
 20 with no increase in Rate Base in order to provide service. FGU’s requested ROR of 11.9%  
 21 is comparable to other water and sewer utilities regulated by the Commission, and the  
 22 recommended 6.88% is erroneous as described above. Second, it is an affront to have Staff  
 23 decide that capital invested by FGU is CIAC and not a direct investment, especially when  
 24 FGU pays taxes on those dollars that Staff is indicating should be considered CIAC. FGU’s  
 25 substantial investments and its efforts to provide ratepayers the best value by not including

<sup>18</sup> See Attached Exhibit SAG-6, Attachment 1-18 to FGU’s Response to Staff’s First Request for Information (Bates No. FGU0321).

<sup>19</sup> Direct Testimony of Fred Bednarski, III, p. 12, lns. 15-17.

1 a significant portion of its investment in rate base must be considered and Mr. Bednarski's  
2 reduction of \$72,914 shown on his exhibit FB-1, Staff Schedule III should be rejected.

3 **Q. WHATE WERE HIS ERRORS WITH THE WORKING CASH ALLOWANCE**  
4 **ADJUSTMENT?**

5 A. On Page 15, Line 11, Mr. Bednarski indicates that he used \$101,007 as FGU's O&M  
6 expenses for calculating Working Capital.<sup>20</sup> However, FGU's actual O&M expenses in  
7 2017 were \$141,945 as identified in Schedule I-1, Line 24. The Working Capital allowance  
8 should be \$17,739.

9 **Q. DID YOU IDENTIFY ERRORS IN THE ACCUMULATED DEFERRED**  
10 **FEDERAL INCOME TAX ("ADFIT") ADJUSTMENT?**

11 A. Yes. First, on Page 15 Line 17 through Page 16 Line 20, Mr. Bednarski makes an argument  
12 that FGU's Rate Base should be reduced by \$15,461 as a result of FGU's use of accelerated  
13 depreciation for taxes.<sup>21</sup> However, Mr. Bednarski, fails to take into account that FGU has  
14 collected and will continue to collect revenues that are *less* than its revenue requirement  
15 for the next few years. Therefore, the basis for his argument, that ratepayers are funding  
16 the tax benefit does not hold in this case, because FGU gets no tax benefit. On the contrary,  
17 FGU is funding operating losses at its expense and to the benefit of ratepayers. Also, on  
18 Page 16, Line 22 through Line 25, Mr. Bednarski makes an argument for reducing the  
19 allowance for federal income tax based on his reductions to other O&M expenses.  
20 However, as FGU has demonstrated, Mr. Bednarski based most of his reductions on what  
21 he thought was a calculated increase in K&M costs although the increases are based on  
22 actual costs. Accordingly, this adjustment should be rejected.

23 **Q. DO YOU AGREE WITH ADJUSTMENTS MADE TO FGU'S RATE CASE**  
24 **EXPENSES?**

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<sup>20</sup> *Id.*, p. 15, lns. 10-11.

<sup>21</sup> *Id.*, p. 15, ln. 17 through p. 16, ln. 20.



1 A. No, I do not agree with Mr. Bednarski testimony<sup>22</sup> that Bridge View's rate case expense of  
 2 \$35,520 were excessive and unreasonable. There is not a prohibition of affiliated  
 3 companies providing services to a utility. Rather, the question is whether those services  
 4 were provided at a market rate.

5 As one of the country's top utility experts as shown in my qualifications, Bridge View's  
 6 charges to FGU were actually quite reasonable. In fact, my consulting services to FGU  
 7 were discounted and below market rate for the same services provided to other utility  
 8 companies as well as governmental clients.<sup>23</sup> Bridge View's services are often provided  
 9 on a fixed fee basis. In a recent evaluation of JBSA rates for privatization, Bridge View  
 10 charged its client \$240/hr. for my services. Given the number of hours required to prepare  
 11 and respond to the excessive discovery requests in this case for such a small utility, Bridge  
 12 View's rate case expenses could have easily been fifty percent more. Also, his comparison  
 13 to Docket No. 46069, *Application of Nitsch & Son Utility Company, Inc. for a*  
 14 *Rate/tariff Change* is unpersuasive. The rate case expenses of \$35,534 are almost identical  
 15 to this case. Mr. Bednarski simply did not make a comparison of the actual work involved  
 16 and ignored the fact that while the basic fixed costs do not vary much for small utilities  
 17 (whether there are 200 or 600 customers), the application revision (and revisions to FGU's  
 18 accounting system required by Staff) and the multiple rounds of discovery from Staff and  
 19 Intervenors have resulted in well over 2,000 pages of documents and higher incurred costs.

20 **Q. IS MR. BEDNARSKI'S ASSUMPTION OF AFFILIATE TRANSACTIONS**  
 21 **ACCURATE?**

22 A. No, Mr. Bednarski claims that Bridge View's billing to FGU is an affiliate transaction is  
 23 incorrect.<sup>24</sup> I am an 85% owner of Bridge View. Bridge View is BVRT's General Partner  
 24 and owns a 10% interest in BVRT, LP. BVRT, LP owns a 33 1/3 percent interest in  
 25 FGU. Therefore, Bridge View and myself have less than a 3% interest in FGU.

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

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<sup>22</sup> *Id.*, p. 17, lns. 15-19.

<sup>23</sup> See attached Exhibit SAG-7, Bridge View's 2018 Standard Rate Sheet (Steven Greenberg rate of \$240/hr.). <sup>24</sup> Direct Testimony of Fred Bednarski, III, p. 18, Line 2.

1     A.     Yes. But again, I reserve the right to amend or modify my testimony if additional  
2           information becomes available.

3

**Annual Report for Class C Water and/or Sewer Utilities**

PUBLIC UTILITY COMMISSION OF TEXAS  
1701 N. CONGRESS AVE., PO BOX 13326, AUSTIN, TX 78711-3326  
pursuant to TWC § 13.136

**I. NAME OF UTILITY, OFFICE MAILING ADDRESS AND AREA SERVED**

1 Utility Name: Forest Glen Utility Company  
List all assumed name(s) or d/b/a name N/A

2 Certificate of Convenience and Necessity No. 21070 Calendar Year Ending 2017

3 Street Address: 15720 Bandera Road, Suite # 103

4 City or Town: Helotes, Texas CCN No.: 21070

5 Email Address: forestglenutility@gmail.com

6 County: Medina Zip Code: 78023

7 TCEQ PWS Number(s) N/A

8 Water Quality Discharge Permit Number WQ0015030001

**II. TYPE OF ORGANIZATION AND PRINCIPAL OFFICERS**

9 Type of Ownership:  
Corporation: X Partnership:                      Individual:                      Other:                     

10 If a corporation, list names and titles of the officers. If an individual or partnership, list the name of the individual or each partner and provide the title for each. For partnerships, please provide the percentage of ownership for each partner.  
Officers-Harry Hausman, President/ Secretary  
Steven Greenberg, CEO

11 If the controlling ownership of this utility changed during the last twelve (12) months, state the date of ownership change and the name and address of the prior owner.  
12/27/2017 Earl Holdings, LLC, 601 NW LOOP 410, SUITE 390, SAN ANTONIO, TX 78216

12 Date the utility was formed or incorporated: January, 22 2012

13 Is the utility under common ownership or control by another corporation? Y N If yes, by whom? No

**III. PERSON TO CONTACT REGARDING THE INFORMATION SUPPLIED ON THESE FORMS**

14 Name and Title: Steven Greenberg- CEO

15 Address: 15720 Bandera Road, Suite # 103

16 City: Helotes, Texas 78023

17 Telephone Number with Area Code: 210-695-5490

18 Cell Phone Number with Area Code: 916-799-1560

19 Fax Number with Area Code: 210-695-6580

20 e-mail address: stevengbvr@gmail.com

21 If not an officer, owner or employee, give name of firm employed by:  
N/A

# 1. Balance Sheet

Name of Utility: Forest Glen Utility Company

Line #	ASSETS	End of Year 12/31/2017	End of Prior Year 12/31/2016
	<u>UTILITY PLANT</u>		
1	101 Utility Plant in Service	\$ 3,174,394	\$ 1,987,931
2	TOTAL UTILITY PLANT	\$ 3,174,394	\$ 1,987,931
3	108 Less: Accumulated Amortization	\$ -	\$ -
4	110 Less: Accumulated Depreciation	\$ (471,140)	\$ (364,830)
5	NET UTILITY PLANT	\$ 2,703,254	\$ 1,623,101
6	<u>CURRENT ASSETS</u>		XXXX
7	131-135 Cash	\$ 30,059	\$ 67,326
8	141-143 Accounts Receivable	\$ -	\$ -
9	151 Plant Materials and Supplies (not previously expensed)	\$ -	\$ -
10	171-174 Other Current Assets	\$ -	\$ -
11	TOTAL CURRENT ASSETS	\$ 30,059	\$ 67,326
12	<u>TOTAL ASSETS*</u>	\$ 2,733,313	\$ 1,690,427

## LIABILITIES & EQUITY

### EQUITY

13	201 Common Stock	\$ 500	\$ 500
14	211 Other paid in capital	\$ 914,694	\$ 866,295
15	215 Retained Earnings	\$ (196,930)	\$ (227,969)
16	218 Proprietary Capital	\$ -	\$ -
17	TOTAL STOCKHOLDERS' EQUITY	\$ 718,264	\$ 638,826

### LONG-TERM DEBT

18	224 Long-term debt (more than 1 year)	\$ -	\$ -
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### CURRENT LIABILITIES (less than 1 year)

19	231 Accounts Payable	\$ 380	\$ -
20	232 Notes Payable	\$ 150,000	\$ -
21	241.0 Other Current Liabilities	\$ -	\$ -
	TOTAL CURRENT LIABILITIES	\$ 150,380	\$ -

### OTHER LIABILITIES and DEFERRED CREDITS

22	253 Other Deferred Credits	\$ -	\$ -
23	271-272 Net Contributions in Aid of Construction	\$ 1,864,669	\$ 1,051,601
24	TOTAL OTHER LIABILITIES and DEFERRED CREDITS	\$ 1,864,669	\$ 1,051,601
25	<u>TOTAL LIABILITIES &amp; EQUITY*</u>	\$ 2,733,313	\$ 1,690,427

\$ 0

Add NARUC accounts as needed, and if not shown above.

## 2. Statements of Income

**Name of Utility:** Forest Glen Utility Company

Line #	Report Calendar Year	2017	Water	Sewer	Total
			Report Year	Report Year	Report Year
			None	2017	2017
			A	B	C=A+B
1	<b>Total Revenue:</b>		None	\$ 239,710	\$ 239,710
	<b>Operating Expenses:</b>				
2	601 O & M Salaried Labor	none	\$ -	\$ -	
3	604 Employee Benefits	none	\$ -	\$ -	
4	631, 635, 636 O & M Contract labor	none	\$ 36,050	\$ 36,050	
5	620 Operating/Maint Supplies	none	\$ 26,401	\$ 26,401	
6	610 Purchased Water	none	\$ -	\$ -	
7	615 Purchased Power	none	\$ 17,691	\$ 17,691	
8	635 Testing Expense	none	\$ 10,010	\$ 10,010	
9	618 Chemicals	none	\$ -	\$ -	
10	656-659 Insurance	none	\$ 2,679	\$ 2,679	
11	601 General Office Salaries	none	\$ -	\$ -	
12	675 General Office Expenses	none	\$ 701	\$ 701	
13	632 Contract Accounting	none	\$ 7,717	\$ 7,717	
14	633 Legal	none	\$ 21,804	\$ 21,804	
15	634 Management	none	\$ 10,656	\$ 10,656	
16	666 Amortization- Rate Case Expense	none	\$ -	\$ -	
17	403 Depreciation Expense	none	\$ 106,310	\$ 106,310	
18	667-675 Other Misc. Expenses	none	\$ 288	\$ 288	
	<b>Taxes:</b>	XXXX	XXXX	XXXX	
19	409 Federal Income Taxes	none	\$ -	\$ -	
20	409.0 State Franchise Taxes/Reg Assess.	none	\$ 1,782	\$ 1,782	
21	408 All Other Taxes	none	\$ -	\$ -	
22	<b>Total Expenses</b>	none	\$ 242,089	\$ 242,089	
23	<b>Net Operating Income</b>	none	\$ (2,379)	\$ (2,379)	
24	421, 433 Non-Operating Income	none	\$ 790	\$ 790	
	<b>Non-Operating Deductions:</b>				
25	426 Other	none			
26	427 Interest	none	\$ 2,795	\$ 2,795	
27	<b>Net Income</b>	none	\$ (4,384)	\$ (4,384)	

### 3. Water Plant-in-Service - changes since the last Annual Report

**Name of Utility:** Forest Glen Utility[illegible]

### 3-S. Sewer Plant-in-Service - Changes since the last Annual Report

**Name of Utility:** Forest Glen Utility Company

	Date Plant Installed/Retired mm/yyyy	Plant Additions		Plant Retirements		Plant Adjustments	Changes Since the Last Annual Report
		List Major Items by Class	Amounts	List Major Items by Class	Amounts		
		none	none	none	none	none	none
WATER	none						\$0
							\$0
							\$0
							\$0
							\$0
							\$0
							\$0
							\$0
							\$0
							\$0
							\$0
							\$0
SEWER	Jun-17	Infrastructure Unit 7A	\$ 444,342				\$444,342
	Jun-17	Infrastructure Unit 7B	\$ 137,362				\$137,362
	Nov-17	Infrastructure Unit 8	\$ 289,494				\$289,494
	Aug-17	Wastewater System Equipmen	\$ 315,264				\$315,264
							\$0
							\$0
							\$0
							\$0
							\$0
							\$0
							\$0
							\$0
<b>TOTALS</b>			<b>\$1,186,462</b>		<b>\$0</b>	<b>\$0</b>	<b>\$1,186,462</b>

**4. Other Operating Information**

<u>Connection information</u>		End of Year mm/dd/yyyy	End of Prior Year mm/dd/yyyy	<u>Connection information</u>	End of Year 12/31/2017	Year 12/31/2016
<b>WATER:</b>				<b>SEWER:</b>		
1 Number of active water connections		none	none	Number of active sewer connections	219	149
5/8" or 3/4"		none	none	Residential	219	149
3/4"		none	none	Non-residential	none	none
1"		none	none			
1 1/2"		none	none			
2"		none	none			
List all additional meter sizes:		none	none	List all additional meter sizes:	none	none
Unmetered water connections		none	none	Unmetered water connections	none	none
		none	none			
2 Number of inactive water connections		none	none	Number of inactive water connections	none	none
5/8" or 3/4"		none	none			
3/4"		none	none			
1"		none	none			
1 1/2"		none	none			
2"		none	none			
List all additional meter sizes:		none	none	List all additional meter sizes:	none	none
Unmetered, inactive connections		none	none	Unmetered, inactive connections	none	none
3 Number of active sewer connections		none	none	Number of active sewer connections	219	149
4 Number of inactive sewer connections		none	none	Number of inactive sewer connections	none	none
5 Total gallons purchased		none				
6 Total gallons pumped		none				
Total Water Produced		none				
7 Total gallons sold		none				
8 Gallons unaccounted for		none				
				Total amount of sewer treated (gallons)	7,696,519	5,681,990

**Management and Operations**

Yes or No

1. Do you have an Application form or formal process for new customers?
2. Do you have a copy of your approved tariff and TCEQ approved drought contingency plan for customer review?
3. Do you have written operating procedures for routine operations?
4. Do you have a written emergency action plans?
5. Do you have written personnel policies and procedures?
6. Do you have risk management and safety procedures?
7. Do you have customer service policies (including billing and collection)?
8. Do you prepare an annual written budget for financial planning purposes?
9. Provide a list of all affiliates and entities under Common Control (if any).
10. If you purchase wholesale water or sewer services, please list the name(s) of the wholesaler and describe the service(s) purchased from each.
11. If you have a current capital improvement/replacement plan, please attach a copy.



## 5. Affiliated Transactions

### **Charges by an Affiliate to the Reporting Utility**

Name of Affiliated company: Hausman Management,

NARUC Account and/or type of service		Total Affiliated Company	Total Texas	Total for reporting entity
Account #	Account name or type of service	(Dollars transacted)	(Dollars transacted)	(Dollars transacted)
634	Hausman Management (management, bookkeeping)	\$ 15,291.97	\$ 15,291.97	\$ 15,291.97

### Charges by an Reporting Utility to Affiliates

Name of Affiliated company: \_\_\_\_\_

NARUC Account and/or type of service		Total Affiliated Company	Total Texas	Total for reporting entity
Account #	Account name or type of service	(Dollars transacted)	(Dollars transacted)	(Dollars transacted)
	NONE	NONE	NONE	NONE

## VERIFICATION

### OATH

(To be made by the officer having control of the accounting of the respondent)

State of Texas

as

County of Bexar

Steven Greenberg  
(Name of affiant)

makes oath and says that he is

CEO

(Official title of affiant)

of Forest Glen Utility Company

(Exact legal title or name of the respondent)

The signed officer has reviewed the report

Based on the officer's knowledge, the report does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading

Based on such officer's knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition and results of operations of the issuer as of, and for, the periods presented in the report.

He swears that all other statements contained in the said report are true, and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including January 1, 2017 to and including December 31, 2017

Subscribed and sworn to and before me, a notary

in and for the State and County above-named, this 30<sup>th</sup> day of may

My commission expires

10/04/20

(Signature of officer authorized to administer oaths)

(Signature of affiant)

### SUPPLEMENTAL OATH

(By the president or other chief officer of the respondent)

State of Texas

as:

County of Bexar

Steven Greenberg makes oath and says that he/she is CEO

(Name of affiant)

(Official title of affiant)

of Forest Glen Utility Company, Inc

(Exact legal title or name of the respondent)

that he/she has carefully examined the foregoing report, that he/she swears that all statements of fact contained in the said report are true, and that the said report is a correct statement of the business and affairs of the above named respondent during the period of time from and including January 1, 2017, to and including December 31, 2018

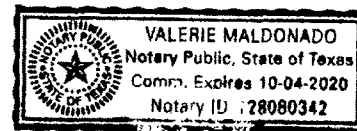
Subscribed and sworn to before me, a

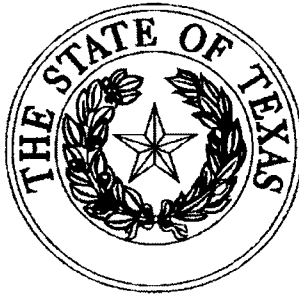
in and for the State and County above-named, this \_\_\_\_\_ day of \_\_\_\_\_

My commission expires

(Signature of officer authorized to administer oaths)

(Signature of affiant)





**CLASS "C" WATER COMPANY  
PUC ANNUAL REPORT  
OF**

CCN Number

21070

Official Company Name:

Forest Glen Utility Company

D/B/A Name(s)

N/A

**TO THE  
PUBLIC UTILITY COMMISSION  
OF TEXAS**

***For the Year En***

***2017***

Arturo Martinez

To: mary.mhoyt@gmail.com

Cc: Quinn Holub

MICHAEL INGERSOLL CUST# 06-22804

May 10, 2016 10:31 AM

Hide Details

Southwest Disposal

Bill To:

MICHAEL INGERSOLL

15720 BANDERA RD #103

Helotes, TX 78023

Ship To:

Account : XXXXXXXXXXXX8996

Trx Type : Sale

Order : 30531AR

Auth : APPROVED 00829D

Amount : \$13347.80

Tax : \$0.00

Total : \$13347.80

Cardmember Acknowledges Receipt Of  
Goods and/or Services In The Amount Of  
The Total Shown Hereon And Agrees To  
Perform The Obligations Set Forth By The  
Cardmember's Agreement With The Issuer

X

Respectfully,

Arturo Martinez III

Accounts Receivable

Credit Analyst

Houston, Texas

Corporate

TEL 713-400-9806 DIRECT

FAX 713-413-4179

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*other plant maint  
pump + haul  
paid  
Capital m  
newse - 13,347.80*

FGU0321

DIRECT TESTIMONY OF STEVEN A. GREENBERG

EXHIBIT 798

**Bridge View Resources Rate Sheet for Consulting, Professional and Technical Services**

**Rates Effective Jan. 1, 2018**

<b>Position</b>	<b>Rate \$/Hr</b>		<b>Position</b>	<b>Rate \$/Hr</b>
Sr. Principal	240.00		Sr. Electrical Engineer	185.00
Principal	225.00		Electrical Engineer	165.00
Sr. Architect	195.00		Sr. Mechanical Engineer	185.00
Architect	175.00		Mechanical Engineer	165.00
Sr. Consultant	175.00		Sr. Civil Engineer	185.00
Consultant	155.00		Civil Engineer	165.00
Sr. Project Manager	175.00		Sr. Structural Engineer	210.00
Project Manager	150.00		Structural Engineer	185.00
Sr. GIS Specialist	155.00		Surveyor	175.00
GIS Specialist	135.00		Sr. Designer	125.00
Sr. Environmental Engineer	185.00		Designer	105.00
Environmental Engineer	165.00		Technician	105.00
			Admin	65.00

## Position Descriptions

Position	Description		Position	Description
<b>Sr. Principal</b>	Principal of BVR with more than 20 years experience in field		<b>Sr. Electrical Engineer</b>	More than 15 years experience in field
<b>Principal</b>	Principal of BVR with more than 10 years experience in field		<b>Electrical Engineer</b>	Registered with more than 5 years experience in field
<b>Sr. Architect</b>	More than 15 years experience in field		<b>Sr. Mechanical Engineer</b>	More than 15 years experience in field
<b>Architect</b>	Licensed with more than 5 years experience in field		<b>Mechanical Engineer</b>	Registered with more than 5 years experience in field
<b>Sr. Consultant</b>	More than 15 years experience in field		<b>Sr. Civil Engineer</b>	More than 15 years experience in field
<b>Consultant</b>	More than 5 years experience in field		<b>Civil Engineer</b>	Registered with more than 5 years experience in field
<b>Sr. Project Manager</b>	More than 15 years experience in field		<b>Sr. Structural Engineer</b>	More than 15 years experience in field
<b>Project Manager</b>	Certified with more than 5 years experience in field		<b>Structural Engineer</b>	Registered with more than 5 years experience in field
<b>Sr. GIS Specialist</b>	More than 15 years experience in field		<b>Surveyor</b>	Certified with more than 5 years experience in field
<b>GIS Specialist</b>	Certified with more than 5 years experience in field		<b>Sr. Designer</b>	More than 15 years experience in field
<b>Sr. Environmental Engineer</b>	More than 15 years experience in field		<b>Designer</b>	More than 5 years experience in field
<b>Environmental Engineer</b>	Licensed with more than 5 years experience in field		<b>Technician</b>	More than 5 years experience in field
			<b>Admin</b>	More than 5 years experience in field