



Control Number: 47998



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PUC DOCKET NO. 47998
SOAH DOCKET NO. 473-18-2879.WS



**RATEPAYERS' APPEAL OF THE
DECISION BY GALVESTON COUNTY
MUNICIPAL UTILITY DISTRICT
NO. 12 TO CHANGE RATES**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**AMENDED JOINT PROPOSED ORDER
AND SUPPLEMENTAL MOTION TO ADMIT EVIDENCE**

COME NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission), Galveston County Municipal Utility District No. 12, and the Omega Bay Improvement Committee as ratepayers' representative and file this Amended Joint Motion Proposed Order and Supplemental Motion to Admit Evidence Joint and would show the following:

I. BACKGROUND

On January 30, 2018, 207 ratepayers, represented by Omega Bay Improvement Committee (Petitioners), filed with the Commission a petition appealing the decision of Galveston County Municipal Utility District No. 12 (MUD 12) to change water and wastewater rates. The parties to this proceeding are MUD 12, Staff, and Omega Bay Improvement Committee as Petitioners' representative (collectively, Parties).

On March 26, 2018, the Commission referred this case to State Office of Administrative Hearings (SOAH). The SOAH Administrative Law Judge (ALJ) issued SOAH Order No. 2 on May 1, 2018, which established the procedural schedule and set the hearing on the merits for October 2-4, 2018. On September 10, 2018, the Parties executed a Unanimous Stipulation and Settlement Agreement and filed a joint motion to admit evidence, a proposed order, and a request that the docket be returned to the Commission. On September 13, 2018, the SOAH ALJ issued SOAH Order No. 8, granting the Parties' motion to remand the docket to the Commission.

On March 18, 2019, the Office of Policy and Docket Management filed a Proposed Order for consideration by the Commission at the open meeting on April 4, 2019. In advance of the meeting, Chairman Walker issued a memo suggesting a number of corrections and requesting that the specific rates agreed to by the Parties and the revenue requirement justifying those rates be

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added to the proposed order. Order No. 3, issued on August 8, 2019, ordered the parties to file such supplemental information. The Commission ALJ issued Order No. 10 on March 18, 2020, which established a deadline of April 3, 2020 for the Parties to submit the information requested in Order No. 3. The requested information and suggested corrections have been incorporated into the proposed order submitted concurrently with this filing.

II. REQUEST TO ADMIT ADDITIONAL EVIDENCE

SOAH Order No. 8, issued on September 13, 2018, admitted several items into the evidentiary record for this proceeding, including a copy of the signed Unanimous Stipulation and Settlement Agreement (Attachment A) and Staff witness Testimony of Andrew Novak in Support of Settlement (Attachment B). The Parties now request the admission of Attachment C to the Amended Joint Proposed Order.

III. INFORMATION RESPONSIVE TO COMMISSION ORDER NO. 3

Commission Order No. 3 directed the Parties to submit the specific rates agreed to by the Parties and the revenue requirement justifying those rates. As shown in Attachment C, the rates stipulated to in the agreement are:

Water Rates

Base rate (fixed monthly charge for all meter sizes)	\$20.00
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Usage charges (gallons):

0-3,000	included in base rate
3,001-6,000	\$3.50 per thousand
6,001-9,000	\$4.00 per thousand
9,001-12,000	\$4.50 per thousand
12,001-15,000	\$5.00 per thousand
15,001-18,000	\$6.00 per thousand
18,001 or more	\$7.00 per thousand

Sewer Rates

Base rate (fixed monthly charge for all meter sizes) \$20.00

Usage charges (gallons):

0-3,000	included in base rate
3,001-6,000	\$1.00 per thousand
6,001-9,000	\$1.50 per thousand
9,001-12,000	\$1.75 per thousand
12,001-15,000	\$2.00 per thousand
15,001-18,000	\$2.25 per thousand
18,001 or more	\$3.00 per thousand

As provided in Attachment C, the revenue requirement justifying the stipulated rates is \$1,199,143, or \$1,665,343 less other revenues of \$466,200.

The information provided above has been added to the Amended Joint Proposed Order.

IV. CONCLUSION

The Parties respectfully request that Attachment C be admitted into the record of this proceeding as evidence and that the Amended Joint Proposed Order be adopted by the Commission.

PUC Docket No. 47998
SOAH Docket No. 473-18-2879.WS

Proposed Order

Dated: April 3, 2020

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Rachelle Nicolette Robles
Division Director

Eleanor D'Ambrosio
Managing Attorney

/s/ Merritt Lander
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**PUC DOCKET NO. 47998
SOAH DOCKET NO. 473-18-2879.WS**

CERTIFICATE OF SERVICE

I hereby certify that, unless otherwise ordered by the presiding officer, a true and correct copy of the foregoing document was transmitted by electronic mail to the parties of record on April 3, 2020, in accordance with the Order Suspending Rules issued in Docket No. 50664.

/s/ Merritt Lander
Merritt Lander

**PUC DOCKET NO. 47998
SOAH DOCKET NO. 473-18-2879.WS**

RATEPAYERS' APPEAL OF THE	§	PUBLIC UTILITY COMMISSION
DECISION BY GALVESTON COUNTY	§	
MUNICIPAL UTILITY DISTRICT	§	OF TEXAS
NO. 12 TO CHANGE RATES	§	

AMENDED JOINT PROPOSED ORDER

This Order addresses the appeal of 207 ratepayers, represented by Omega Bay Improvement Committee, of the decision of Galveston County Municipal Utility District No. 12 (the district) to increase water and sewer rates. Commission Staff filed a unanimous agreement that resolves all of the issues between the parties to this proceeding. The Commission grants the ratepayers' appeal, as modified by the agreement, to the extent provided in this Order.

I. Findings of Fact

The Commission makes the following findings of fact:

The District 16 Texas Administrative Code (TAC) § 22.102

1. The District was created by order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality, on September 1, 1981. It operates under chapters 49 and 54 of the Texas Water Code.
2. The District provides retail water and sewer service to two subdivisions: the Omega Bay subdivision located in the city of La Marque and the Bayou Vista subdivision located in the city of Hitchcock.
3. The District has 1,514 service connections.
4. On November 20, 2017, the district adopted an amended rate order, increasing the combined flat rate for water and sewer services by \$30.00 per month.
5. The increased rates went into effect with the December 2017 billing cycle.

The Appeal Texas Water Code (TWC) §13.043(b) (c) (d); 16 TAC §§ 24.101, 24.103

6. On January 30, 2018, a petition was timely filed to appeal the increase in water and sewer rates adopted by the District that went into effect with the December 2017 billing cycle.

The petition included 207 ratepayer signatures, 197 of which Commission Staff determined to be valid.

7. On July 9, 2018, the District filed the official record of the November 20, 2017 regular meeting of its board of directors.
8. The District has 1,514 ratepayers and 197 of them, representing more than 10% of the affected ratepayers, signed the appeal petition.
9. The ratepayers designated John K. Houston and the Omega Bay Improvement Committee to represent them in this proceeding. Beginning July 16, 2018, Gwen Megale replaced John K. Houston as the ratepayers' representative.
10. In Order No. 1, issued on February 1, 2018, the Commission Administrative Law Judge (ALJ) required Commission Staff to file comments addressing whether the petition was administratively complete. The ALJ also instructed the parties to propose a procedural schedule.
11. On March 1, 2018, Commission Staff recommended that the petition be found administratively complete and that it be referred to the State Office of Administrative Hearings (SOAH) for a hearing on the merits.
12. In Order No. 2, issued on March 5, 2018, the Commission ALJ found the petition administratively complete

Referral to SOAH for Hearing

13. On March 26, 2018, the Commission referred this proceeding to SOAH.
14. In SOAH Order No. 1, issued on April 2, 2018, the SOAH ALJ required the parties to confer and submit a proposed procedural schedule.
15. On April 27, 2018, the Commission issued a preliminary order in this docket, identifying issues to be addressed in the proceeding.

16. In SOAH Order No. 2, issued on May 1, 2018, the SOAH ALJ adopted a procedural schedule proposed by the parties and gave notice of the convening of the hearing on the merits, which was set for three days beginning at 9:00 a.m., October 2, 2018, at SOAH, 300 West 15th Street, 4th floor, Austin, Texas.
17. In SOAH Order No. 3, issued on May 16, 2018, the SOAH ALJ referred this case to SOAH's alternative dispute resolution team leader, Howard Seitzman, for mediation evaluation.
18. In SOAH Order No. 4 issued on July 5, 2018, the SOAH ALJ granted the parties agreed motion to continue the hearing date and to amend the procedural schedule. The SOAH ALJ cancelled the October 2, 2018 hearing on the merits and gave notice of the convening of the hearing on the merits, which was set for three days beginning at 9:00 a.m., November 5, 2018, at SOAH, 300 West 15th Street, 4th floor, Austin, Texas.

Testimony

19. On July 9, 2018, the District filed the direct testimonies of William I. Alcorn, Jr., and Lydia Cook.

Notice 16 TAC § 24.101(c)(6)

20. The district did not provide notice of the hearing under 16 TAC § 24.101(c)(6) because the hearing was cancelled when the SOAH docket was dismissed.

Intervenors and Intervenor Alignment 16 TAC §§ 22.103-22.105

21. No interventions were requested or granted in this proceeding.

The Agreement

22. On July 31, 2018, the parties participated in mediation at SOAH and resolved the dispute.
23. On August 2, 2018, Commission Staff filed an unopposed motion to suspend the procedural schedule until August 20, 2018 in order to give the parties time to finalize the terms of their agreement.
24. In SOAH Order No. 5, issued on August 6, 2018, the SOAH ALJ abated the procedural schedule until August 20, 2018.

25. On August 13, 2018, Commission Staff filed an unopposed motion to suspend the procedural schedule until August 27, 2018.
26. In SOAH Order No. 6, issued on August 14, 2018, the SOAH ALJ abated the procedural schedule until August 27, 2018.
27. On August 27, 2018, Commission Staff filed a motion to suspend the procedural schedule until September 10, 2018.
28. In SOAH Order No. 7, issued on August 28, 2018, the SOAH ALJ abated the procedural schedule until September 10, 2018.
29. On September 10, 2018, Commission Staff filed a unanimous settlement agreement resolving the issues raised among the parties. Along with the agreement, Commission Staff filed a joint proposed order and the testimony of Andrew Novak in support of the settlement.
30. In May of 2018, a bond was approved by voters that alleviated the district's need for increased rates. In June of 2018, following passage of the bond, the district voted to decrease water and sewer rates by eliminating the \$30.00 per month increase that went into effect with the December 2017 billing cycle.
31. Under the agreement, the District's water and sewer rates will be the same as the rates that were in effect prior to \$30.00 per month increase that went into effect with the December billing cycle. Those rates, included in Attachment C, are as follows:

Water Rates

Base rate (fixed monthly charge for all meter sizes) \$20.00

Usage charges (gallons):

0-3,000	included in base rate
3,001-6,000	\$3.50 per thousand
6,001-9,000	\$4.00 per thousand
9,001-12,000	\$4.50 per thousand
12,001-15,000	\$5.00 per thousand
15,001-18,000	\$6.00 per thousand
18,001 or more	\$7.00 per thousand

Sewer Rates

Base rate (fixed monthly charge for all meter sizes) \$20.00

Usage charges (gallons):

0-3,000	included in base rate
3,001-6,000	\$1.00 per thousand
6,001-9,000	\$1.50 per thousand
9,001-12,000	\$1.75 per thousand
12,001-15,000	\$2.00 per thousand
15,001-18,000	\$2.25 per thousand
18,001 or more	\$3.00 per thousand

32. As shown in Attachment C, the agreed rates generate a revenue requirement of \$1,199,143, or \$1,665,343 less other revenues of \$466,200.
33. The rates are just and reasonable and are not unreasonably discriminatory, preferential, or prejudicial. The agreed rates are sufficient, equitable, and consistent in application to each class of customers.
34. The agreed rates will preserve the financial integrity of the District.

Refund or Surcharge TWC § 13.043(e); 16 TAC § 24.101(e)(4)

35. The parties agree that the District will credit \$10.00 per month to each customer for a period of 21 months, for a total refund of \$210.00 per customer.
36. The parties agree that the District may accelerate the refund credits.

Rate-Case Expenses TWC § 13.043(e); 16 TAC § 24.101(e)(2)

37. The parties agree that each party will be responsible for its own costs and attorney fees related to this proceeding.
38. The District agrees not to seek recovery of its attorney fees or other expenses associated with this proceeding.

Evidentiary Record

39. On September 10, 2018, Commission Staff filed a request to admit evidence and to dismiss the case from the SOAH docket and return it to the Commission.

40. In SOAH Order No. 8, issued on September 13, 2018, the SOAH ALJ dismissed this case from the SOAH docket, remanded it to the Commission, and admitted the following evidence into the record: (a) the official record of the November 20, 2017 meeting of the District's board of directors, filed July 9, 2018; (b) the direct testimonies of Lydia Cook and William I. Alcorn, Jr., filed July 9, 2018; (c) the unanimous settlement agreement, filed September 10, 2018; (d) the testimony of Commission Staff witness Andrew Novak in support of the settlement, filed September 10, 2018; and (e) the District's response to Commission Staff's first request for information, filed March 27, 2018.
41. On April 4, 2020, the parties filed a request to admit additional evidence into the record of this proceeding.
42. In Order No. 11, issued on _____, 2020, the Commission ALJ admitted Attachment C to the Amended Joint Proposed Order into the record.

Interim Rates TWC §§ 13.041(c-1), 13.043(h), 12.013; 16 TAC §§ 24.37, 24.75, 24.101(e)(6)

43. The Commission did not establish interim rates in this proceeding.

Informal Disposition 16 TAC § 22.35(a)

44. More than 15 days have passed since the completion of any required notice provided in this docket.
45. No person filed a protest or motion to intervene.
 - a. The ratepayers, district, and Commission Staff are the only parties to this proceeding.
46. No party requested a hearing and no hearing is needed.
47. This docket does not contain any remaining contested issues of fact or law.
48. Commission Staff recommended approval of the application.
49. This decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following findings of law:

1. The District is a retail public utility as defined by TWC § 13.002(19).
2. The Commission has jurisdiction over this proceeding under TWC § 13.043(b)(4).
3. SOAH had authority over this proceeding under Texas Government Code § 2003.049.
4. This docket was processed in accordance with the requirements of the Texas Water Code, the Administrative Procedure Act,¹ and Commission rules.
 - a. Under 16 TAC § 24.12, the district bears the burden of proof to establish that the contested rates are just and reasonable.
5. The ratepayers' petition was timely filed under TWC § 13.043(c) and 16 TAC § 24.101(b) and meets the 10% ratepayer-signature threshold established under TWC § 13.043(c) and 16 TAC §§ 24.101(d) and 24.103(b).
 - a. Under TWC § 13.043(e), the Commission may consider only the information that was available to the governing body at the time the governing body made its decision and evidence of reasonable expenses incurred by the retail public utility in the appeal proceedings.
 - b. Under TWC § 13.043(j), the Commission must ensure that every rate received by a retail public utility must be just and reasonable; not unreasonably preferential, prejudicial, or discriminatory; and sufficient, equitable, and consistent in application to each class of customers.
 - c. In an appeal under TWC § 13.043, the Commission must use a methodology that preserves the financial integrity of the retail public utility.
6. The agreed rates are just and reasonable and are not unreasonably discriminatory, preferential, or prejudicial. The agreed rates are sufficient, equitable, and consistent in application to each class of customers. The rates are as follows:

Water Rates

Base rate (fixed monthly charge for all meter sizes) \$20.00

Usage charges (gallons):

0-3,000	included in base rate
3,001-6,000	\$3.50 per thousand

¹ Tex. Gov't Code §§ 2001.051-.052.

Proposed Order

6,001-9,000	\$4.00 per thousand
9,001-12,000	\$4.50 per thousand
12,001-15,000	\$5.00 per thousand
15,001-18,000	\$6.00 per thousand
18,001 or more	\$7.00 per thousand

Sewer Rates

Base rate (fixed monthly charge for all meter sizes) \$20.00

Usage charges (gallons):

0-3,000	included in base rate
3,001-6,000	\$1.00 per thousand
6,001-9,000	\$1.50 per thousand
9,001-12,000	\$1.75 per thousand
12,001-15,000	\$2.00 per thousand
15,001-18,000	\$2.25 per thousand
18,001 or more	\$3.00 per thousand

7. The agreed rates will preserve the financial integrity of the District.
8. The requirements for informal disposition under 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following Order:

1. The Commission grants the ratepayers' appeal, as modified by the agreement, to the extent provided in this Order.
2. The water and sewer rates charged by the District will be the same as the rates that were in effect prior to the December 2017 billing cycle.
3. The district must refund \$10.00 per month to each customer with a water and sewer connection for a period of 21 months, for a total refund of \$210.00 per customer. The refunds will be in the form of bill credits. The district may accelerate the refund payments so long as each customer is credited at least \$210.00 within 21 months of the first credits being issued.
4. Within 30 days from the end of each 7-month period in which the refund is in effect, the district must file a report showing the total amount that has been refunded to customers and the balance remaining to be refunded. The reports will be filed in Docket No. 49349, *Compliance Filing of Galveston County Municipal Utility District No. 12 Regarding*

Refunds from Docket No. 47998. No later than 15 days after the filing of the district's report, Commission Staff must file its comments regarding the district's report. Responses to Commission Staff's recommendation must be filed no later than 15 days after Commission Staff's report is filed.

5. The District must not seek recovery of rate-case expenses for this proceeding.
6. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement and must not be regarded as precedential as to the appropriateness of any principle or methodology underlying the agreement.
7. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

SIGNED AT AUSTIN, TEXAS on the ____ day of ____ 2020.

PUBLIC UTILITY COMMISSION OF TEXAS

DEANN T. WALKER, CHAIRMAN

ARTHUR D'ANDREA, COMMISSIONER

SHELLY BOTKIN, COMMISSIONER

Attachment A

**PUC DOCKET NO. 47998
SOAH DOCKET NO. 473-18-2879.WS**

RATEPAYERS' APPEAL OF THE	§	PUBLIC UTILITY COMMISSION
DECISION BY GALVESTON	§	
COUNTY MUNICIPAL UTILITY	§	
DISTRICT NO.12 TO CHANGE RATES	§	OF TEXAS

UNANIMOUS STIPULATION AND SETTLEMENT AGREEMENT

On January 30, 2018, the ratepayers (Ratepayers) of the Galveston County Municipal Utility District No. 12 (Galveston MUD 12) filed a petition with the Public Utility Commission (Commission) appealing a change in water rates by Galveston MUD 12, effective December 2017. The ratepayers represented at least ten percent of those ratepayers whose rates had been increased, and therefore are eligible to appeal the change to the Commission, which has jurisdiction to hear the appeal and set rates according to Texas Water Code § 13.043.

The Parties to this proceeding are Galveston County MUD 12, the Staff of the Public Utility Commission of Texas (Staff), and the ratepayers represented by Gwen Megale of the Omega Bay Improvement Committee (ratepayers' representative). The Parties to this proceeding participated in mediation on July 31, 2018, and as a result agree to the terms of this Unanimous Stipulation and Settlement Agreement including its attachments (collectively, Agreement). The Parties, each of whom is a signatory to this Agreement (collectively the "Signatories" and individually as "Signatory") further agree to support implementation of the Agreement. The Agreement provides for a resolution of all rate issues in this docket.

The Signatories agree that this Agreement results in just and reasonable rates and that the public interest will be served by resolution of the issues in the manner prescribed by this Agreement. The following terms are made and acknowledged by all parties in good faith, for the purpose of entering a settlement agreement in the above-styled and numbered cause. Therefore, in consideration of the mutual agreements expressed herein, the Signatories agree and stipulate as follows:

AGREEMENT AND STIPULATION

1. The Signatories agree that the District has not been found liable for any wrongdoing or violation of any State provision with regards to its November 20, 2017 decision to increase the water and wastewater rates payable by its customers.
2. The Signatories agree that after the District's November 20, 2017 decision, a bond was passed in May of 2018 that alleviated the District's need for the increased rates. The District therefore, in June 2018, voted to decrease the rates back to their pre- November 20, 2017 level.
3. The Signatories agree that the District will begin crediting ratepayers' water and sewer bills a total of \$10.00 per month per connection for a period of 21 months.
4. The Signatories agree that in exchange for the District's approval of these settlement terms, the Ratepayers will release all claims in the above-styled and numbered cause, whether or not raised in this cause.
5. The Signatories agree that attorneys' fees, if any, shall be the responsibility of the individual parties. Specifically, the District will not seek recovery of its attorneys' fees for this docket.
6. MUD 12 reserves the right to accelerate the schedule of credit payments at its sole discretion.

PROPOSED ORDER

The Signatories agree that the Commission should issue a proposed order, attached to the parties' Joint Motion to Admit Evidence and Request that the Docket be Dismissed from SOAH and Returned to the Commission, which is consistent with the terms of this Agreement.

EFFECT OF AGREEMENT

1. The Signatories urge the Commission to adopt an appropriate order consistent with the terms stated in this Agreement. The Signatories further agree that all oral or written statements made during the course of the settlement negotiations may not be used for any purpose and are governed by TEX. R. EVID. 408. The obligations set forth in this

subsection shall continue to be enforceable, even if this Agreement is terminated as provided below.

2. This Agreement is binding on each Signatory only for the purpose of settling the issues as set out in this Agreement and for no other purpose. Except to the extent that this Agreement expressly governs a Signatory's rights and obligations for future periods, this Agreement, including all its terms, shall not be binding or precedential on a Signatory outside of this case except for a proceeding to enforce the terms of this Agreement. The Signatories acknowledge and agree that a Signatory's support of the matters contained in this Agreement may differ from its position or testimony in proceedings. To the extent there is a difference, a Signatory does not waive its position in such other proceedings. This is a settlement agreement, therefore, a Signatory is under no obligation to take the same position as set out in this Agreement in other proceedings, whether those proceedings present the same or a different set of circumstances. The Agreement is the result of compromise and was arrived at only for the purposes of settling this case. The Agreement is not intended to be precedential. A Signatory's agreement to entry of a final order of the Commission consistent with this Agreement should not be regarded as an agreement to the appropriateness or correctness of any assumptions, methodology, or legal or regulatory principle that may have been employed in reaching this Agreement.
3. This Agreement reflects a compromise, settlement, and accommodation among the Signatories, and the Signatories agree that the terms and conditions stated herein are interdependent. If the Commission does not accept this Agreement as presented or enters an order inconsistent with any material term in this Agreement, any Signatory shall have the right to withdraw from all commitments and obligations and to seek a hearing on all issues, present evidence, and advance any positions it desires, as if it had not been a Signatory.
4. This Agreement contains the entire understanding and agreement of the Signatories, and it supersedes all other written and oral exchanges or negotiations among them or their representatives with respect to the subjects contained herein. Neither this Agreement nor any of the terms of this Agreement may be altered, amended, waived, terminated, or modified, except in writing properly executed by the Signatories.

5. There are no third-party beneficiaries of this Agreement. This Agreement is a true and complete resolution of all contested issues in this proceeding.
6. Each signing representative warrants that he or she is duly authorized to sign this Agreement on behalf of the Signatory he or she represents. Facsimile and PDF copies of signatures are valid for purposes of evidencing execution. The Signatories may sign individual signature pages to facilitate the circulation and filing of the original of this Agreement. The Signatories agree that they will use reasonable efforts to obtain expeditious implementation of this Agreement by entry of appropriate orders in Docket No. 47998.

EXECUTION

The Signatories agree that this document may be executed in multiple counterparts and filed with facsimile signatures.

The date of this Agreement is deemed to be 10th day of September 2018.

[Signature pages begin on the following page]

AGREED:

RATEPAYERS' REPRESENTATIVE

G. Megale (w/permission)
Gwen Megale, on behalf of OBIC

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO.12

M. Bacon (w/permission)
Michael Bacon, Attorney for the District

PUBLIC UTILITY COMMISSION

K. L. Gross
Katherine Lengieza Gross, Attorney, Legal Division of the Public Utility Commission

Attachment B

**PUC DOCKET NO. 47998
SOAH DOCKET NO. 473-18-2879.WS**

RATEPAYERS' APPEAL OF THE	§	BEFORE THE STATE
DECISION BY GALVESTON	§	OFFICE OF
COUNTY MUNICIPAL UTILITY	§	ADMINISTRATIVE
DISTRICT NO.12 TO CHANGE RATES	§	HEARINGS



**DIRECT TESTIMONY IN SUPPORT OF STIPULATION
ANDREW NOVAK
WATER UTILITY DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS
September 10, 2018**

DIRECT TESTIMONY OF ANDREW NOVAK

IN SUPPORT OF STIPULATION

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ATTACHMENTS

Attachment AN-1 List of Testimonies by Andrew Novak

1 **I. PROFESSIONAL QUALIFICATIONS**

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

3 A. Andrew Novak, Public Utility Commission, 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 ("PUC" or "Commission") since
7 October 1, 2015 as a Financial Analyst in the Water Utility Regulation Division.

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

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

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

17 A. I hold a Bachelor of Business Administration degree with a major in finance from the
18 University of Houston. Prior to my employment with the Commission, I was employed by
19 WHN Consulting from May 2015 to September 2015.

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

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

22

23

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

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

3 A. The purpose of my testimony is to support the Unanimous Stipulation and Settlement
4 Agreement (“Stipulation”) that Galveston County Municipal Utility District No. 12
5 (“District”) and all parties have reached in this proceeding.

6 **Q. What is the basis of your recommendation?**

7 A. My recommendation is based on a review of The District’s direct testimony for this docket
8 and accompanying work papers as well as the utility’s responses to requests for information
9 (RFIs).

10

11 **III DISCUSSION OF THE STIPULATION**

12 **Q. What are some benefits of the stipulation?**

13 A. The Stipulation includes, among its major benefits, the following benefits:

- 14 • The District is foregoing collection of rate case expenses for this docket; and
15 • There will be a refund issued to customers due to a bond that was passed subsequent to
16 the rate increase decision that is at issue in this docket.

17 **Q. What are the primary terms of the Stipulation?**

18 A. The Stipulation includes the following terms:

- 19 • The District will begin crediting ratepayers’ water and sewer bills a total of \$10.00 per
20 month per connection for a period of 21 months.

- 1 • The Signatories agree that in exchange for the District's approval of these settlement
2 terms, the Ratepayers will release all claims in the above-styled and numbered cause,
3 whether or not raised in this cause.
- 4 • The Signatories agree that attorneys' fees, if any, shall be the responsibility of the
5 individual parties. Specifically, the District will not seek recovery of its attorneys' fees
6 for this docket.

7 **Q. Are the terms of the Stipulation fair and reasonable?**

8 A. Yes, in my opinion, the implementation of the terms in the Stipulation will result in a fair
9 and reasonable outcome for the parties. Based upon my review, the Stipulation contains a
10 revenue requirement and return that are within a reasonable range of likely results produced
11 from continued litigation. It is also my opinion that a fully litigated docket could potentially
12 produce an outcome, including rate case expense, which would be less favorable to the
13 parties.

14

15 **II. IV. RECOMMENDATION**

16 **Q. What is your recommendation as to the rate increase proposed by the District?**

17 A. Based my review, I believe the rates set by the District were reasonable at the time the District
18 made the decision to increase the rates. However, because a bond passed subsequent to that
19 decision, the District has voted and has already set the rates back to the rates that were in
20 place before the increase.

21

1 **Q. What is your recommendation as to the Stipulation?**

2 A. Staff recommends that the Commission find that terms of the Stipulation are in the public
3 interest and adopt the Stipulation in its entirety.

4 **Q. Does this complete your testimony?**

5 A. Yes.

Testimony Prepared by Andrew Novak

AN-1

<u>Date</u>	<u>Organization</u>	<u>Docket No.</u>	<u>Description</u>
7/8/2016	Public Utility Commission of Texas	45248	Ratepayers Appeal of the Decision by the City of Fritch to Change Rates
7/11/2016	Public Utility Commission of Texas	45506	Complaint of Regina Lee Against C&R Water Supply
8/9/2016	Public Utility Commission of Texas	45720	Application of Rio Concho Aviation, Inc For a Rate/Tariff Change
9/20/2016	Public Utility Commission of Texas	45231	Ratepayers' Appeal of the Decision by Trophy Club Municipal Utility District No 1 to Change Rates
3/2/2017	Public Utility Commission of Texas	46322	Complaint of Playa Vista Conroe, A Condominium Association, INC Against C&R Water Supply, INC
12/15/2017	Public Utility Commission of Texas	47275	Application of The Commons Water Supply, Inc For Authority to Change Rates
4/27/2018	Public Utility Commission of Texas	47626	Application of Southwest Liquids, Inc For Authority to Change Rates
8/23/2018	Public Utility Commission of Texas	47897	Application of Forest Glen Utility Company For Authority to Change Rates
9/14/2018	Public Utility Commission of Texas	46747	Application of Cypress Gardens Homes For a Tariff/Rate Change

Attachment C

Docket No. 47998

Galveston County MUD 12

Estimated Revenues produced by Stipulated Rates

	Annual Audit Report for Year Ended 9/30/17 Budgeted Revenues ¹	Annual Audit Report for Year Ended 9/30/17 Actual Revenues ¹
Revenue	\$1,428,747	\$1,492,654
Expenditures	\$1,497,655	\$1,486,992
Total	-\$68,908 00	\$5,662

	Estimated or Budget	Actual 9/30/17
Base Rate Revenue Generated	\$ 1,199,143 ⁴	\$1,003,838.00
Tax Revenue	\$ 440,000 ³	\$610,459
Other revenues	\$ 26,200 ³	\$66,021
Total Revenues	\$ 1,665,343	\$1,680,318 ³
Variance estimated vs. actual Base Rate Revenue generated.		\$ 14,974 61

	Minimum Charge Effective 11/13/2017 ²	Number of Active Meters ²	Annual Revenue Generated
Gallons Included in Minimum Charge Water Minimum Charge (3,000 gallons Sewer Minimum Charge (3,000 gallons included)	\$20.00 \$20.00	1,469 1,457	\$352,560 \$349,680
Total Minimum Charge Revenue Generated			\$702,240
Total Water Consumption Above Minimum Usage during the Fiscal Year (rounded to thousands)(6):			
Gallons pumped into system: 107,289,000			²
Gallons billed to customers (unaudited): 102,665,000			²
Average Monthly Use Per Customer (gallons)			
Active Meters - water	1469 ²	5610	
Active Meters - sewer	1457 ²	5872	
			11482
Water Gallonage Rates Effective	per 1,000 gallons	Tiers	
	\$3 50	3,001 to 6,000	\$185,094
	\$4 00	6,001 to 9,000	\$184,036
	\$4.50	9,001 to 12,000	
	\$5.00	12,001 to 15,000	
	\$6.00	15,001 to 18,000	
	\$7.00	Over 18,000	
Total Generated			\$369,130
Sewer Gallonage Rates Effective	per 1,000 gallons	Tiers	
11/13/2017 (3)	\$1.00	3,001 to 6,000	\$52,452
	\$1.50	6,001 to 9,000	\$75,321
	\$1 75	9,001 to 12,000	
	\$2.00	12,001 to 15,000	
	\$2.25	15,001 to 18,000	
	\$3 00	Over 18,000	
Total Generated			\$127,773
Total Gallonage Revenue			\$496,903
Total Water & Sewer Revenue Generated ⁴			\$1,199,143

DWW
273 MGD