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SOAH DOCKET NO. 473-19-4089.WS  
PUC DOCKET NO. 48640

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APPLICATION OF W. E. VLASEK  
FOR AUTHORITY TO CHANGE  
RATES

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BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE HEARINGS



TESTIMONY IN SUPPORT OF STIPULATION

PATRICIA GARCIA

INFRASTRUCTURE DIVISION

PUBLIC UTILITY COMMISSION OF TEXAS

February 26, 2020

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**ATTACHMENTS**

Attachment PG-1	Resume of Patricia Garcia
Attachment PG-2	List of Testimonies by Patricia Garcia
Attachment PG-3	Revenue Generated by Rates

**I. PROFESSIONAL QUALIFICATIONS**

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

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

**Q. By whom are you currently employed and in what capacity?**

A. I have been employed by the Public Utility Commission of Texas (Commission) since July 2015, as an Engineering Specialist IV.

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

A. My responsibilities include reviewing and processing applications to obtain or amend certificates of convenience and necessity (CCNs); reviewing and processing of sale, transfer, merger applications; reviewing rate and tariff change applications and rate appeals; assisting and coordinating with the Texas Commission on Environmental Quality and Office of the Attorney General on receivership and temporary management issues; participating in negotiated settlements; and preparing testimony and exhibits for contested case matters involving investor-owned, non-profit, and governmental water and sewer utilities.

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

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

**Q. Have you testified as a regulatory technical expert before the Commission or the State Office of Administrative Hearings?**

A. Yes. See Attachment PG-2 for the list of dockets in which I have provided testimony.

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

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

**II. PURPOSE AND SCOPE OF TESTIMONY**

A. The purpose of Staff's testimony is to support the Stipulation and Settlement Agreement (Stipulation) reached in this proceeding by W. E. Vlasek (Vlasek) and Staff.

**Q. What is the basis of Staff's recommendation?**

A. Staff's recommendation is based on a review of Vlasek's rate filing package, accompanying work papers, direct testimony, errata to direct testimony, rebuttal testimony, and its responses to requests for information.

**Q. What are the standards Staff used to make their determination concerning the overall reasonableness of the Stipulation?**

A. The standards Staff uses to determine the overall reasonableness of a stipulation are located in Texas Water Code (TWC) Chapter 13 and 16 Texas Administrative Code (TAC) § 24.41, § 24.43, and § 24.44.

**III. DISCUSSION OF THE STIPULATION**

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

A. The Stipulation includes the following terms:

1. **Cost of Service.** The settled total water revenue requirement for Vlasek is \$284,621.
2. **Agreement for Services.** Vlasek Pump Company and Vlasek will execute a written agreement that sets out the fees charged to Vlasek for services including, but not limited to: meter reading, mowing/weed eating, billing (including postage), water line repairs, equipment repairs, and building repairs. The fees charged to Vlasek will take into account that, unlike Vlasek Pump Company's unaffiliated customers, Vlasek is allocated a portion of Vlasek Pump Company's fuel expenses and overhead expenses like office supplies, office telephone service, service vehicle maintenance, etc.
3. **Direct Billing.** Vlasek will direct bill expenses to each water CCN whenever possible.

4. **Allocation of Expenses Shared with Affiliate.**

a. For expenses that cannot be direct billed to a CCN, the written agreement for services will specify how expenses incurred by Vlasek Pump Company will be allocated between Vlasek Pump Company and Vlasek and explain the basis for the allocation. The allocation may differ depending on the type of expense.

b. The agreement will also specify the allocation factor to be used to allocate expenses that are incurred by Vlasek and cannot be direct billed to a CCN between the two CCNs. The allocation factor must be based on meter equivalents or some other quantifiable data point that is related to the cost of serving each CCN.

5. **Payroll Expenses.** Vlasek will support its future payroll expenses with time sheets for each employee of Vlasek Pump Company that track the hours spent working on tasks related to the water utility.

6. **Rate Base.** Establishment of Vlasek's rate base as of December 31, 2017, at a net plant value of \$459,350 that is supported by a detailed schedule of assets (Stipulation Exhibit C).

7. **Plant Additions after December 31, 2017.** Vlasek will maintain the original third-party invoices for any assets placed into service after the effective date of the final rates set in this case and for the materials used by Vlasek Pump Company to perform repairs that are capitalized.

8. **Cost of Capital.** Vlasek's weighted average cost of capital will be 7.0%.

A. **Miscellaneous Fees.** The Returned Check Charge will increase from \$25.00 to \$30.00.

9. **Rate-Case Expenses.** Rate case expenses incurred in connection with this docket will be recovered through a surcharge to customers and will be capped at a total of \$37,000. The parties have agreed to divide the surcharge among the customers' meter connections. Therefore, the monthly surcharge shall be \$4.00 per meter connection. Vlasek will collect the surcharge for 24 months or until the full amount of \$37,000 has been collected, whichever

period is shorter. Vlasek may not seek to recover any additional rate-case expenses incurred in connection with this application in a future proceeding.

10. **Rates.** Establishment of the agreed minimum monthly charge and volumetric rates (Stipulation Exhibit B). Using the test year data provided by Vlasek, rates are expected to generate approximately \$284,621 for retail water service (Stipulation Exhibit B).

11. **Effective Date.** The settled rates shall be effective for usage on and after March 1, 2020, or the date of the Commission's final order setting the rates in this docket, whichever is earlier. To achieve this objective, Vlasek and Staff agree to request the presiding Administrative Law Judge to order that the new agreed rates shall be effective on an interim basis for usage on and after March 1, 2020, and subject to refund or surcharge if the Commission ultimately establishes different rates.

12. **Addressing Refunds or Credits.** During the pendency of this proceeding, the rates collected from ratepayers were at or below the agreed upon rates. As such, Staff recommends that no refunds or credits to the customers are necessary.

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

A. Yes, in Staff's opinion, the implementation of the terms in the Stipulation will result in a fair and reasonable outcome for the parties. Based upon Staff's review, the rates agreed to in the Stipulation generate a revenue requirement that is within a reasonable range of the likely litigated outcomes in this docket. It is also Staff's opinion that a fully litigated docket could potentially produce an outcome, including rate case expenses, which would be less favorable to the parties.

1 **IV. RECOMMENDATION**

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

3 A. Staff recommends that the Commission find that the terms of the Stipulation are in the public  
4 interest and that it be adopted in its entirety.

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

6 A. Yes.



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## **Work Experience**

### **Engineering Specialist**

7/2015 - Present Public Utility Commission, Austin, Texas

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

### **Engineering Specialist**

7/2014 – 6/2015 Texas Commission on Environmental Quality, Austin, Texas

Worked with public water systems in danger of or that have been abandoned and find solutions to their problems by finding a temporary manager or receiver to run the water system.

Assisted with Financial, Managerial and Technical Assistance contract by creating assignments for contractors.

Assisted with organization of Drinking Water State Revolving Fund reviews to assure finalized in a timely manner.

### **Natural Resource Specialist III**

09/2011 – 6/2014 University of Texas at Arlington

Reviewed plans, specifications, and engineering reports for and provided technical assistance and rule interpretation related to compliance of state regulations for Emergency Preparedness Plans and exception requests submitted to the Public Drinking Water Section of the TCEQ and prepares related correspondence.

Processed letters for violations to the Groundwater Rule.

Provided management with documentation to provide testimony at public hearings to present the agency's position.

### **Research Engineering Specialist**

11/2008 – 08/2011 Texas Engineering Experiment Station

Reviewed plans, specifications, and engineering reports for and provided technical assistance and rule interpretation related to compliance of state regulations for Emergency Preparedness Plans, Concentration Time Studies and exception requests submitted to the Public Drinking Water Section of the TCEQ and prepares related correspondence.

## **Education**

8/2008 University of Texas at Pan American, Edinburg, TX

Bachelor's Degree in Mechanical Engineering

**Patricia Garcia**  
**Public Utility Commission of Texas (PUC)**  
**List of Previous Testimonies**

Testimonies for PUC Staff

PUC Docket	SOAH Docket	Company	Application Type
44949		PUC	Appointment of a Temporary Manager for a Utility
45248	473-16-2099	City of Fritch	Ratepayers' Appeal
45418	473-16-3886	Corix Utilities Inc.	Corix Utilities Rate Application
46262		PUC	Appointment of a Temporary Manager for a Utility
46309		PUC	Appointment of a Temporary Manager for a Utility
46256	473-17-1641	Liberty Utilities	Liberty Utilities Rate Application
47182	473-17-4682	Kempner Water Supply Corporation	Ratepayers' Appeal
47736	473-18-1959	SWWC Water Services	Water Services Rate Application
48650		PUC	Appointment of a Temporary Manager for a Utility
47976	473-18-3006	Liberty Utilities	Liberty Utilities - Silverleaf Rate Application - Stipulation
50303		PUC	Appointment of a Temporary Manager for a Utility