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PUBLIC UTILITY COMMISSION
BEFORE THE STATE OFFICE

RATEPAYERS APPEAL OF THE
DECISION BY BEAR CREEK SPECIAL
UTILITY DISTRICT TO CHANGE
RATES

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§
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OF

ADMINISTRATIVE HEARINGS

REBUTTAL TESTIMONY

OF

CAMILLE REAGAN

ON BEHALF OF BEAR CREEK SPECIAL UTILITY DISTRICT

EXHIBIT BCSUD-6

NOVEMBER 30, 2020¹

¹ Pursuant to SOAH Order No. 10 Modifying Procedural Schedule (Nov. 10, 2020), Bear Creek’s Rebuttal Testimony was due November 25, 2020. Given that the PUC was closed on November 25, 2020, Bear Creek’s Rebuttal Testimony is filed on “the next day on which the commission is open for business”, as required by 16 Tex. Admin. Code, §22.4(a).

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**PUC DOCKET NO. 49351
SOAH DOCKET NO. 473-19-5674.WS**

**REBUTTAL TESTIMONY OF CAMILLE REAGAN
WITNESS FOR BEAR CREEK SPECIAL UTILITY DISTRICT**

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**REBUTTAL TESTIMONY OF
CAMILLE REAGAN,
WITNESS FOR BEAR CREEK SPECIAL UTILITY DISTRICT**

1 **I. INTRODUCTION AND BACKGROUND**

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

3 A. My name is Camille Reagan, and my business address is 16881 County Road 541, Lavon,
4 Texas 75166.

5 **Q. ARE YOU THE SAME CAMILLE REAGAN WHO FILED DIRECT TESTIMONY**
6 **IN THIS PROCEEDING?**

7 A. Yes, I am.

8 **II. PURPOSE OF TESTIMONY**

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

10 A. My rebuttal testimony addresses Ms. Sears' recommended reduction in coverage and Ms.
11 Loockerman's testimony regarding the time period over which rate case expenses would
12 be recovered.

13 **III. REBUTTAL TO TESTIMONY OF EMILY SEARS**

14 **Q. DO YOU AGREE WITH MS. SEARS' ADJUSTMENT TO THE DEBT SERVICE**
15 **COVERAGE LEVEL IN HER TESTIMONY?**

16 A. No.

1 Q. WHY NOT?

2 A. When Bear Creek decided to increase the rates that are the subject of this appeal, it did so
3 at the recommendation of the Greater Texoma Utility Authority (“GTUA”) and its financial
4 advisor. The information that was available to Bear Creek’s Board of Directors at the time
5 the decision was made to increase rates was the *pro forma* that is attached to Mr.
6 Satterwhite’s testimony as Exhibit DS-3. As it was explained to the Board, and is more
7 completely addressed in the rebuttal testimony of Mr. Satterwhite and Mr. Kimball, Bear
8 Creek needed to adopt the proposed rates in order to get approval of the financing with the
9 Texas Water Development Board (“TWDB”). Bear Creek understood that the TWDB
10 required a sufficient level of debt service coverage be maintained. Bear Creek relied upon
11 the advice of the GTUA and its financial advisor, who are far more knowledgeable about
12 the public financing process and securing approval of the TWDB for funding projects. Ms.
13 Sears seems to be second guessing the information that was presented to the Board by these
14 third-party professionals with another governmental agency and replacing that advice after
15 the fact with her own opinions. The problem with that is that the TWDB approved the
16 funding based on Bear Creek’s application through the GTUA and Bear Creek’s
17 representations that the \$10 rate increase had been adopted. The documents that Ms. Sears
18 cites in her testimony, although dated after the date Bear Creek set the rates, confirm these
19 commitments by Bear Creek. Bear Creek had to rely upon the advice from GTUA because
20 Bear Creek had no idea whether the funding would be approved if any other action had
21 been taken. My question to Ms. Sears is – shouldn’t the approval of a funding package by
22 the TWDB be good enough for the folks at the Public Utility Commission?

1 **IV. REBUTTAL TO TESTIMONY OF DEBI LOOCKERMAN**

2 **Q. DO YOU ACCEPT MS. LOOCKERMAN'S ADJUSTMENT TO**
3 **MISCELLANEOUS REVENUES IN HER TESTIMONY?**

4 A. Yes.

5 **Q. DO YOU AGREE WITH MS. LOOCKERMAN'S RECOMMENDATIONS IN HER**
6 **TESTIMONY REGARDING THE TIME PERIOD OVER WHICH BEAR CREEK**
7 **SHOULD RECOVER ITS RATE CASE EXPENSES?**

8 A. No.

9 **Q. WHY NOT?**

10 A. Bear Creek has incurred substantial expenses defending its rates in this appeal. The funds
11 used to pay the rate case expenses incurred to date have depleted Bear Creek's operating
12 reserves. As Mr. Kimball states in his rebuttal testimony, Bear Creek should maintain an
13 operating reserve that is the equivalent of six to twelve months of expenses for unexpected
14 "shock events." The budgets set aside operating reserves to address "shock events" related
15 to operation of the water system, not legal expenses for rate appeals. Bear Creek has never
16 budgeted or set aside funds for the purpose of participating in a rate appeal. It is
17 unreasonable to expect Bear Creek to wait five years before fully replenishing its reserves.
18 In fact, the same protestants in this appeal attempted to file an appeal two years before.
19 Although they were unsuccessful, it is apparent that rate appeals are likely to become a
20 more regular occurrence for Bear Creek.

1 **Q. HOW WOULD THE ADOPTION OF MS. SEARS' RECOMMENDATION ON**
2 **COVERAGE IMPACT THE RECOVERY OF RATE CASE EXPENSES?**

3 A Ms. Sears' proposal to reduce coverage to effectively zero means that there will be
4 insufficient funds to replenish Bear Creek's operating accounts for these rate case
5 expenses.

6 **Q. WHAT TIME PERIOD DO YOU THINK WOULD BE REASONABLE FOR**
7 **RECOVERY OF BEAR CREEK'S RATE CASE EXPENSES?**

8 A. Given the magnitude of Bear Creek's expenses, I think a recovery over no more than a
9 two-year period would be appropriate. This time frame would allow Bear Creek to recover
10 its expenses and prevent the customers from having to pay too much on their monthly bills
11 going forward. Bear Creek's consultant, Jay Joyce, has more details on the calculated
12 surcharge amount. The surcharge should continue until all of Bear Creek's expenses are
13 recovered. If another appeal is filed while the surcharge is still being collected, the
14 surcharge should continue and any new rate case expense can be added on for an
15 appropriate period of time.

16 **V. CONCLUSION**

17 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

18 A. Yes.