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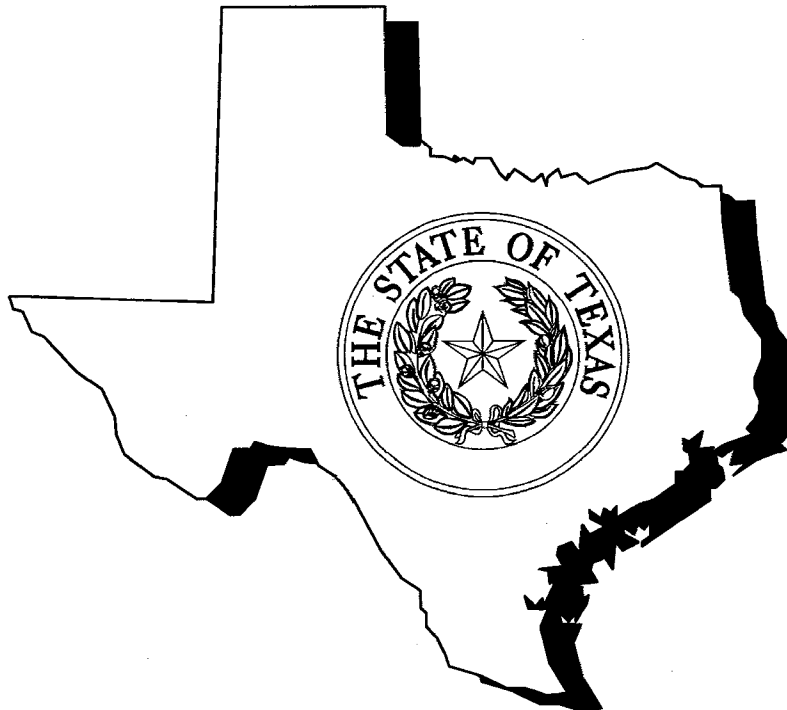
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**SOAH DOCKET NO. 473-21-2237.WS  
PUC DOCKET NO. 50197**

**APPLICATION OF TIMBERCREST  
PARTNERS LLC FOR AUTHORITY  
TO CHANGE RATES**

**§  
§  
§  
§**

**BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE HEARINGS**



**TESTIMONY OF KATHRYN EILAND  
IN SUPPORT OF STIPULATION  
RATE REGULATION DIVISION  
PUBLIC UTILITY COMMISSION OF TEXAS  
MARCH 13, 2023**

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1    **I.        STATEMENT OF QUALIFICATIONS**

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

3    A.        My name is Kathryn Eiland. My business address is 1701 N. Congress Avenue, Austin,  
4              Texas.

5    **Q.        Are you the same Kathryn Eiland who previously filed testimony in this proceeding**  
6              **on October 14, 2022?**

7    A.        Yes.

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

9    **Q.        What is the purpose of your testimony in this proceeding, Docket No. 50197,**  
10             ***Application of Timbercrest Partners LLC for Authority to Change Rates (Application)?***

11   A.        The purpose of my testimony is to support the Unanimous Stipulation and Settlement  
12              Agreement (Stipulation) reached in this proceeding by Timbercrest Partners LLC  
13              (Timbercrest) and the Staff of the Public Utility Commission of Texas (Staff),  
14              (collectively, Signatories).

15   **Q.        Does the Stipulation provide for an acceptable resolution of Monarch's request in**  
16              **this proceeding?**

17   A.        Yes. The terms of the Stipulation address a range of issues, and the Stipulation reflects  
18              an appropriate and reasonable balancing of the public interest. The final terms represent  
19              a negotiated compromise to which the Signatories agreed after detailed discussions. Any  
20              changes to the Stipulation could undermine its purpose, result in the withdrawal of the  
21              Stipulation by a Signatory negatively affected by the changes, and create additional  
22              litigation and costs.

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

24   A.        My recommendation is based on a review of Timbercrest's Application, the

1 accompanying work papers, and its responses to requests for information.

2 **Q. What are the standards that you used to make your determination concerning the**  
3 **overall reasonableness of the Stipulation?**

4 A. Texas Water Code (TWC) Chapter 13 and Texas Administrative Code (TAC) §§ 24.41,  
5 24.43, and 24.44 include the standards that I used to determine the overall reasonableness  
6 of the Stipulation.

7 **III. DISCUSSION OF KEY PROVISIONS OF THE STIPULATION**

8 **Q. What are the key provisions of the Stipulation?**

9 A. The Stipulation includes the following terms:

10 **1. Retail Water Utility Rates.** The Signatories agree that Timbercrest will be allowed  
11 to implement the retail water utility rates contained in the tariff included as Exhibit A  
12 to the Joint Proposed Order attached to the Stipulation (Exhibit A). The Signatories  
13 agree that Timbercrest's water rates will go into effect upon approval of a final order  
14 in this proceeding. There will be no refunds as Timbercrest never implemented new  
15 rates. The Signatories agree that the rates shown on Exhibit A are just and  
16 reasonable and consistent with the public interest. The rates contained in Exhibit  
17 A will be effective for usage on and after the date of the Commission's final order  
18 setting the rates in this docket.

19  
20 **2. Retail Sewer Utility Rates.** The Signatories agree that Timbercrest will be allowed  
21 to implement the retail wastewater utility rates contained in the tariff included as  
22 Exhibit B to the Joint Proposed Order attached to the Stipulation (Exhibit B) for the  
23 wastewater systems included in Timbercrest's Application. There will be no refunds  
24 as Timbercrest never implemented new rates. The Signatories agree that the rates  
25 shown on Exhibit B are just and reasonable and consistent with the public interest.  
26 The rates contained in Exhibit B will be effective for usage on and after the date of the  
27 Commission's final order setting the rates in this docket.

28  
29 **3. Revenue Requirement and Rate Base.** The Signatories agree that Timbercrest's  
30 total annual revenue requirement for rate design is \$157,425 for water, and \$184,811  
31 for wastewater, for a total revenue requirement of \$342,236. The Signatories agree  
32 that these amounts are reasonable and necessary. The Signatories agree that approval  
33 of invested capital (Rate Base), as of December 31, 2018, of \$804,725 for water and  
34 \$602,784 for wastewater is reasonable and in the public interest. The Signatories  
35 further agree that Timbercrest shall apply the depreciation rates as proposed in the  
36 Application. In addition, the Signatories agree that facilities used and useful in  
37 providing utility service as of December 31, 2018, as set out in the engineering study

attached as Attachment 2, will be binding in future rate cases for the purposes of determining Timbercrest's total Rate Base as of December 31, 2018.

- 4. Rate of Return and Capital Structure.** The Signatories have agreed for Timbercrest to have a ratio of 50% debt to 50% equity for Timbercrest's cost of capital and for Timbercrest to have a 4.67% cost of debt and an 8.5% return on equity. These ratios and percentages result in a total cost of capital of 6.59%.
- 5. Tariff Provisions.** The Signatories agree that Exhibit A will be the governing water utility rates, terms, and conditions for Timbercrest's ratepayer customers. The Signatories agree that Exhibit B will be the governing wastewater utility rates, terms, and conditions for Timbercrest's ratepayer customers.
- 6. Rate-Case Expenses.** The Signatories agree that Timbercrest is entitled to recover up to \$50,214 in reasonable and necessary rate case expenses for this docket to be collected via surcharge to its customers, \$23,742 of which will be collected from a \$5.54 monthly surcharge per meter equivalent to metered water customers and \$26,472 of which will be collected from a \$6.75 monthly surcharge per meter equivalent to metered wastewater customers. The Signatories agree that Timbercrest may collect the surcharges over a 36-month period or until the full amount in rate-case expenses is collected, whichever occurs first. The Signatories agree that Timbercrest will file an annual update to the Commission, within one year from the date of the final order, and every year thereafter, that contains the number of customers charged the rate case expense surcharges, the amount collected to date, and the remaining balance of rate case expenses. The Signatories agree that Timbercrest may not seek to recover any additional rate case expenses incurred in connection with this Application in a future proceeding and that Timbercrest will not seek to recover such expenses from its non-metered tenants at the mobile home park owned by Timbercrest.
- 7. Pass-Through Fees.** The Signatories agree that Timbercrest will recover fees related to the North Harris County Regional Water Authority (NHCRWA) through the pass-through rate identified in Exhibit A. The Signatories further agree that, although the non-metered tenants at the mobile home park are not subject to this pass-through rate, the fees from NHCRWA that are allocated to these residential tenants are reasonably recoverable through the rent revenues, while the fees that are allocated to the metered customers are reasonably recoverable through the pass-through rate. The Signatories agree that the pass-through rate will be subject to an annual true-up as the fee changes from NHCRWA. Until the true-up, the Signatories agree that the appropriate pass-through rate is \$5.41 per 1,000 gallons.
- 8. Shared Services.** Using the allocation methodology developed by Timbercrest's witness Chuck Loy, the Signatories agree that Timbercrest properly allocated expenses that are common to both the utility and non-utility functions. Going forward, the Signatories agree that Timbercrest will file annual compliance reports tracking its affiliates to include executed contracts with affiliates, specifically with regard to

1 transactions within the mobile home park rental property operation and allocations of  
2 costs in lieu of payments. The Signatories agree that the annual reports will include  
3 updates to the comprehensive organizational structure, which includes Timbercrest;  
4 Haven at Augusta Woods Village, LP; and August Woods, among others, and indicate  
5 the extent to which entities are added or removed. The Signatories agree that, if any  
6 entity provides a service to Timbercrest, Timbercrest will reduce the terms to writing  
7 and maintain the information that it relies upon for determining the arms-length nature  
8 of the transaction. The Signatories agree that, to the extent that common-cost  
9 allocations change from year to year, Timbercrest will update its cost allocation  
10 manual or study accordingly.  
11

12 **9. Rate Design.** The Signatories agree that Timbercrest will use a 12 inch proxy master  
13 meter for the residential mobile home park for purposes of rate design.

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

15 A. Yes. I reviewed the accounting portions of the requested revenue requirement and, based  
16 upon the review and conclusions of other Staff, the implementation of the terms in the  
17 Stipulation will, in my opinion, result in a fair and reasonable outcome for the parties.

18 The aspects of the Application were reviewed as follows:

- 19 • Emily Sears, Financial Analyst with the Rate Regulation Division, reviewed the  
20 rate of return;
- 21 • Adrian Narvaez, Rate Analyst with the Rate Regulation Division, reviewed the  
22 rate design-related aspects; and
- 23 • Heidi Graham, Engineering Specialist with the Infrastructure Division, reviewed  
24 the engineering aspects of the operations and maintenance expenses and capital  
25 expenditures.

26 All of Staff reviewed the Stipulation and communicated that they found the Stipulation  
27 reasonable. Additionally, based on the evidence provided by Timbercrest, the provisions  
28 of the Stipulation result in an amount of rate-case expenses that meets the criteria outlined  
29 in 16 TAC § 24.44 (relating to rate-case expenses). Based on Staff's review of the  
30 Stipulation, I believe that implementation of the various terms in the Stipulation will result  
31 in a fair and reasonable outcome for affected customers, will avoid the added cost of  
32 continued litigation, and is in the public interest.

1    **IV.    RECOMMENDATION**

2    **Q.    What is your recommendation in this proceeding?**

3    A.    In my opinion, the Stipulation represents an agreement between the parties that results in  
4           an acceptable resolution to this proceeding that is consistent with the public interest. I  
5           believe that the terms of the Stipulation provide an acceptable degree of certainty to the  
6           Signatories that would not be assured if litigation of this proceeding were to continue.  
7           Given the issues addressed by the Stipulation and the certainty provided by the formal  
8           Stipulation of the Signatories, I recommend that the Commission adopt the Stipulation in  
9           its entirety.

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

11   A.    Yes.