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DOCKET NO. 50197

APPLICATION OF TIMBERCREST § PUBLIC UTILITY COMMISSION
PARTNERS, LLC FOR AUTHORITY TO §
CHANGE RATES § OF TEXAS

DIRECT TESTIMONY

OF

CHARLES E. LOY

ON BEHALF OF

TIMBERCREST PARTNERS, LLC.

SEPTEMBER 27, 2022

**DIRECT TESTIMONY OF
CHARLES E. LOY**

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ATTACHMENTS

- Attachment CEL-1 Resume and CV of Charles E. Loy
- Attachment CEL-2 Resume and CV of D. Ray Young P.E.
- Attachment CEL-3 Rate Case Expenses Affidavit and GDS Associates Invoices

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PARTNERS LLC FOR AUTHORITY TO §
CHANGE RATES § OF TEXAS

**DIRECT TESTIMONY OF
CHARLES E. LOY**

I. INTRODUCTION

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Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Chuck Loy. I am a Principal of GDS Associates, Inc. (GDS), an engineering and consulting firm specializing in various utility operational, financial and regulatory issues. My business address is 919 Congress Ave, Suite 1110, Austin, Texas 78701.

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Business Administration degree with a concentration in accounting from the University of Texas at Austin. I am a Certified Public Accountant in the State of Texas. Prior to joining GDS in June of 2001, I was General Manager of Rates and Regulatory Affairs of AquaSource, Inc. (AquaSource). AquaSource is a wholly owned water and wastewater subsidiary of DQE, Inc., a publicly traded electric utility located in Pittsburgh, Pennsylvania. My responsibilities included the organization, preparation, and management of various rate filings and proceedings on rate requests and other regulatory matters in the twelve states where AquaSource provided water and wastewater utility service. Prior to joining AquaSource, I was a Manager of Regulatory Affairs for Citizens Utilities Company, Public Services Sector

1 (Citizens). At Citizens, I was responsible for various regulatory matters, including rate
2 cases for water/wastewater, gas, and electric services in eight states. Prior to joining
3 Citizens, I was a Rate Manager with Southern Union Gas where I prepared rate filings,
4 cost of service studies, and testimony for their various operations in Texas and
5 Oklahoma. My utility regulation experience began with Diversified Utility Consultants
6 as a Senior Analyst, where I assisted in the review and analysis of various gas, electric,
7 and water company rate filings. My professional resume is included as Attachment
8 CEL-1.

9 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE PUBLIC**
10 **UTILITY COMMISSION OF TEXAS (COMMISSION)?**

11 A. Yes. Attachment CEL-1 includes a list of the proceedings that I have previously
12 provided written testimony

13 **II. PURPOSE OF DIRECT TESTIMONY**

14 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

15 A. I am testifying on behalf of Timbercrest Partners, LLC (Timbercrest), a Class D
16 investor-owned water and wastewater utility company.

17 **Q. PLEASE DESCRIBE TIMBERCREST UTILITY.**

18 A. Timbercrest has less than 500 connections or about 335 residential water and sewer
19 connects and about four commercial connections. The Residential class customers are
20 comprised of separate trailer units that are not individually metered however, they do
21 share a master meter. The Commercial connections are represented by a 245-unit
22 apartment complex, two convenience stores and an automotive service establishment.
23 Only the commercial customers are separately billed for their monthly usage according
24 to the approved tariff. Since the residential customers do not have meters, their utility

1 service under the tariff is measured at the master meter and included in their monthly
2 rent. The tariffed rates of the residential customers serve as a guide to assign rent
3 revenues related to utility services for accounting purposes.

4 **Q. WHY DID TIMBERCREST FILE THIS RATE APPLICATION?**

5 **A.** The addition of the apartment complex is the primary driver of this rate increase
6 request. Timbercrest needed to establish a rate for an 8-inch meter. The Commission
7 rules do not allow for the addition of a new meter charge without the filing of a rate
8 change application. In addition, Timbercrest is requesting a pass-through rate for the
9 North Harris County Regional Water Authority's (NHCRWA) groundwater fees.

10 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
11 **PROCEEDING?**

12 **A.** The purpose of my direct testimony is to discuss the circumstances of this rate request.
13 I also address different components that make-up Timbercrest's revenue requirement
14 such as known and measurable expenses, rate base, requested rate of return, and rate
15 design.

16 **Q. WAS THIS MATERIAL PREPARED BY YOU OR UNDER YOUR**
17 **SUPERVISION?**

18 **A.** Yes, it was.

19 **Q. INsofar AS THIS MATERIAL IS FACTUAL IN NATURE, DO YOU**
20 **BELIEVE IT TO BE CORRECT?**

21 **A.** Yes, I do.

22 **Q. INsofar AS THIS MATERIAL IS IN THE NATURE OF OPINION OR**
23 **JUDGMENT, DOES IT REPRESENT YOUR BEST JUDGMENT?**

1 A. Yes, it does.

2 **Q. WHAT SCHEDULES IN THE RATE FILING PACKAGE ARE YOU**
3 **SPONSORING?**

4 A. I am sponsoring certain relevant schedules as provided in the PUC's Class C
5 Rate/Tariff Change Application.

6 **III. ADJUSTMENTS TO TEST YEAR BALANCES**

7 **Q: WHAT ADJUSTMENTS WERE REQUIRED TO BE MADE TO TEST YEAR**
8 **BOOK BALANCES IN ORDER TO COMPLY WITH REGULATORY**
9 **REQUIREMENTS?**

10 A. Timbercrest maintains a separate set of books for the entire Timbercrest community
11 operation. Timbercrest maintains the books as a rental community, not as a utility. The
12 Timbercrest utility is embedded in the mobile home park (MHP) for which it operates,
13 and direct utility revenues and expenses are recorded to separate utility accounts. For
14 instance, the direct utility expenses that are booked separately are electric costs,
15 NHCRWA charges, Lab Fees, Contract Operators, Chemicals, etc. However, there are
16 a number of costs that are shared between the MHP operation and the utility operation.
17 These costs are office costs, MHP personnel who deal with utility issues on a regular
18 basis, maintenance costs related to grounds and roads on which the utility plant
19 operated, accounting costs, legal costs, etc. These costs were functionalized to the
20 utility using an allocation factor which I believe fairly represents the cost burden the
21 utility places on the MHP.

22 **Q. WHAT FACTORS WERE USED TO ASSIGN TIMBERCREST MHP COSTS**
23 **TO THE UTILITY?**

1 A. In addition to the direct or 100% assignments of certain utility costs, I assigned or
2 functionalized common costs shared between the MHP and the utility using a factor of
3 28.69% which represents the average of utility direct expenses and net assets as
4 compared to the total MHP direct expenses and net assets. In addition, I used net plant
5 or investment to functionalize property tax costs to the utility.

6 **Q. WERE ALL MHP COSTS FUNCTIONALIZED TO THE UTILITY?**

7 A. No, only those MHP costs in which it could be determined there was a commonality
8 with the utility. In addition, all offsite or affiliate related costs such as Management
9 Fees were excluded as well.

10 **Q. PLEASE PROVIDE THE WORKPAPER REFERENCES WHERE THE**
11 **FUNCTIONALIZATION OF MHP COSTS CAN BE FOUND.**

12 A. “WP 2018 P&L Util Func” and “WP Sch I.1 and Sch II.3” present the functionalization
13 of the test year MHP expenses to the Utility. The calculations for the functionalization
14 factors or allocations can be found in “WP Alloc Support Calcs”.

15 **IV. RATE INCREASE OVERVIEW**

16 **Q. WHAT TEST YEAR DID TIMBERCREST USE FOR THIS FILING?**

17 A. The Commission rules at 16 Tex. Admin. Code (TAC) § 24.3(37) define “Test Year”
18 as the “most recent 12-month period beginning on the first day of a calendar or fiscal
19 year quarter, for which operating data retail public utility are available.” Therefore,
20 Timbercrest used a test year ending December 31, 2018 for this filing.

21 **Q. WHAT ARE TIMBERCREST’S REQUESTED WATER AND WASTEWATER**
22 **REVENUE REQUIREMENTS?**

23 A. Timbercrest requested revenue requirement for water is \$181,237. Its requested
24 revenue requirement for wastewater is \$206,248. Overall, Timbercrest’s total requested

1 revenue requirement is reflected as \$601,690 on Schedule I-1. However; during the
 2 writing of this testimony it was discovered the Schedule I-1 form erroneously added
 3 \$4,799 to the revenue requirement rather than deducting it. Regardless, the proposed
 4 rates presented later in this testimony properly reflect the correct amounts for water and
 5 sewer rate development. The water revenue requirement is further adjusted by
 6 removing the North Harris County Regional Water Authority charges of \$204,607,
 7 these charges will be billed as a pass-through and thus should not be included in base
 8 rates, to arrive at a total “base rate” water revenue requirement of \$181,237 which
 9 supports a \$85,574 or 89.45% rate increase over base rate water revenues. The total
 10 wastewater revenue requirement of \$206,248 supports a \$104,370 or 102.45% increase
 11 over base rate wastewater revenues. Overall, Timbercrest requests a total rate increase
 12 of \$189,944, or 96.15%. Table 1 below provides a summary of the requested revenue
 13 requirements for both water and sewer.

TABLE 1
Requested Revenue Requirements

| | W A T E R | S E W E R | Total |
|---------------------------|-------------------------|-------------------------|-------------------------|
| Assigned Revenues | \$95,664 | \$101,878 | \$197,542 |
| O&M Expense | \$79,002 | \$123,522 | \$202,524 |
| Other Taxes | \$12,685 | \$10,659 | \$23,344 |
| Depreciation Expense | \$16,339 | \$15,257 | \$31,596 |
| Requested Return | \$63,889 | \$50,052 | \$113,941 |
| Income Taxes | \$11,708 | \$9,172 | \$20,880 |
| Less: Other Revenues | (\$2,385) | (\$2,413) | (\$4,799) |
| Total Revenue Requirement | <u>\$181,237</u> | <u>\$206,248</u> | <u>\$387,485</u> |
| Revenue Increase | \$85,574 | \$104,370 | \$189,944 |
| Percentage Increase | 89.45% | 102.45% | 96.15% |

1 **Q. FROM YOUR PERSPECTIVE, WHAT DO YOU BELIEVE ARE THE MAIN**
2 **DRIVERS OF THIS RATE REQUEST?**

3 A. First and foremost, the time that has passed between rate increases has been longer than
4 most utilities typically allow. I am not sure what year the current rates were established
5 but since the CCN was issued in 2007 I estimate current rates reflect 2006 costs or
6 about twelve years prior to the development of the proposed revenue requirement.
7 Thus, while earlier in this testimony I discussed the 8” meter rate was the main reason
8 Timbercrest filed for a rate increase, the length of time that has passed between rate
9 increases certainly helps in explaining the magnitude of the increase. As the filing of
10 this testimony Timbercrest has maintained the current rates for at least 15 years.

11 **V. KNOWN AND MEASURABLE CHANGES**

12 **Q. PLEASE DEFINE KNOWN AND MEASURABLE CHANGES.**

13 A. “Known and measurable changes” are defined by Commission rule 16 TAC § 24.3(33)
14 as changes that are “[v]erifiable on the record as to the amount and certainty of
15 effectuation reasonably certain to occur within 12 months of the end of the test year.”
16 Commission rule 16 TAC § 24.31(b) allows known and measurable changes to
17 allowable expenses. Commission rule 16 TAC §24.31(c)(5) allows for known and
18 measurable additions to rate base. In the Commission’s Instructions for Rate/Tariff
19 Change Application for Class C Utilities¹, General Instruction 3 requires that “the
20 information reported shall be based on the test year unless otherwise directed by these
21 instructions.” General Instruction 6 allows “adjustments for known and measurable
22 changes”

¹ Class D Utilities must use the Rate Change Application for Class C Utilities.

1 **Q. PLEASE GENERALLY DESCRIBE THE KNOWN AND MEASURABLE**
2 **CHANGES IN THIS FILING.**

3 A. There are three known and measurable adjustments proposed in this filing that are
4 related to the incremental costs related to the newly constructed Apartment complex at
5 the time the application was being prepared. The incremental costs relate to the
6 additional NHCRWA costs which were excluded from base rates since they will be
7 collected via a pass-through clause and the related electric and chemical costs to pump
8 and treat the additional water delivered to the apartment complex. Table 2 below details
9 the proposed known and measurable adjustments. As can be seen, the vast majority of
10 the adjustments will be passed through directly as opposed to being embedded in base
11 rates as the other adjustments.

TABLE 2
Summary of Requested K&M Adjustments

| Adjustment Descriptions | Pass Through | Base Rates |
|----------------------------------|---------------------|-------------------|
| 52020 NHCRWA | \$60,022 | |
| 52040 Electricity for Pumping | | \$6,701 |
| 50810 Treatment Chemicals | | \$1,462 |
| Total K&M Adjustments | \$60,022 | \$8,163 |

12 **VI. ADJUSTMENTS TO REVENUE REQUIREMENTS**

13 **Q. ARE THERE ANY UPDATES TO THE REVENUE REQUIREMENTS**
14 **RESULTING FROM RESPONSES TO STAFF DISCOVERY?**

15 A. Yes. When developing the responses to the Staff's 8th data request we determined that
16 two charges should be removed, and two charges should have been functionalized at
17 28.69% rather than 100%. Table 3 below details the resulting revenue requirement
18 updates for each Water and Sewer customer class.
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TABLE 3
Summary of Updates to Revenue Requirements

| Staff 8th | Amount 100% | Funtion Alloc | Water Share @ 54.61% | Sewer Share @ 45.39% | WATER | | SEWER | |
|------------------|----------------|------------------|----------------------------|----------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | | | | | Residential 69.85% | Commercia 130.15% | Residential 69.85% | Commercia 130.15% |
| <i>Remove:</i> | | | | | | | | |
| 8-11 | \$81.23 | 100.00% | (\$44.36) | (\$36.87) | (\$30.99) | (\$13.37) | (\$25.75) | (\$11.12) |
| 8-12 | \$290.00 | 100.00% | (\$158.37) | (\$131.63) | (\$110.62) | (\$47.75) | (\$91.94) | (\$39.68) |
| 8-13 | \$1,050.00 | 100.00% | (\$573.41) | (\$476.59) | (\$400.53) | (\$172.88) | (\$332.90) | (\$143.69) |
| 8-14 | \$600.00 | 100.00% | (\$327.66) | (\$272.34) | (\$228.88) | (\$98.79) | (\$190.23) | (\$82.11) |
| <i>Add Back:</i> | | | | | | | | |
| 8-11 | \$81.23 | 28.69% | \$12.72 | \$10.58 | \$8.89 | \$3.84 | \$7.39 | \$3.19 |
| 8-12 | \$290.00 | 28.69% | \$45.43 | \$37.76 | \$31.73 | \$13.70 | \$26.37 | \$11.38 |
| Net Change | | | <u>(\$1,045.65)</u> | <u>(\$869.09)</u> | <u>(\$730.40)</u> | <u>(\$315.25)</u> | <u>(\$607.07)</u> | <u>(\$262.02)</u> |
| Total | | | <u><u>(\$1,914.74)</u></u> | | | | | |

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VII. RATE BASE SUMMARY

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6 **Q. WHAT WAS TIMBERCREST’S RATE BASE AS OF DECEMBER 31, 2018?**

7 A. Timbercrest’s combined rate base for the test year ending December 31, 2018 is
8 \$1,213,591, or \$746,107 for water and \$467,484 for wastewater.

9 **Q. WHAT ARE THE MAJOR COMPONENTS OF TIMBERCREST’S RATE**
10 **BASE?**

11 A. The major components of Timbercrest’s rate base for both water and wastewater is
12 utility plant, accumulated depreciation, land, and cash working capital.

13 **Q. HOW WAS THE ORIGINAL COST OF THE ASSETS INCLUDED IN RATE**
14 **BASE DETERMINED?**

15 A. When Timbercrest purchased the property there was no original cost documentation
16 for the utility assets included with the trailer park community records. Thus,
17 Timbercrest hired Water Engineers, Inc. to take an inventory of the Timbercrest utility
18 plant to properly identify, classify, and inventory the water and sewer plant. In addition,

1 Water Engineers developed replacement cost new values (RCN) for the various utility
 2 assets consistent with area construction costs. The RCN values were provided to GDS
 3 Associates which applied Handy and Whitman indices corresponding to the utility asset
 4 descriptions to determine original cost values for the utility plant. The original cost
 5 values are used in the rate increase computations as required by the Texas Water Code.
 6 Attachment 3 included in Timbercrests rate filing application contains the report and
 7 the Original Cost Study details in a format that has been presented and accepted by the
 8 PUC in past cases. I included the Resume and CV of Ray Young P.E. of Water
 9 Engineers who conducted the RCN study as Attachment CEL-2.

10 **Q. IS TIMBERCREST SEEKING A RATE BASE DETERMINATION IN THIS**
 11 **PROCEEDING?**

12 A. Yes.

13 **Q. PLEASE PROVIDE A SUMMARY OF THE WATER AND SEWER RATE**
 14 **BASES PROPOSED IN THIS APPLICATION.**

15 A. Table 4 below provides a side-by-side comparison of the requested water and
 16 wastewater rate bases and their different components.

TABLE 4
Proposed Rate Base

| | W A T E R | S E W E R | Total |
|--------------------------|------------------|------------------|--------------------|
| Distribution - Gross | \$410,477 | \$513,296 | \$923,773 |
| Accumulated Depreciation | (\$241,157) | (\$238,237) | (\$479,394) |
| Treatment Plant - Gross | \$508,797 | \$286,913 | \$795,710 |
| Accumulated Depreciation | (\$192,530) | (\$181,223) | (\$373,753) |
| Land | \$250,078 | \$43,368 | \$293,446 |
| Cash Working Capital | \$10,441 | \$43,368 | \$53,809 |
| Total Rate Base | \$746,107 | \$467,484 | \$1,213,591 |

1 **VIII. RETURN ON EQUITY**

2 **Q. BASED ON YOUR ANALYSIS, WHAT WAS YOUR CONCLUSION**
3 **CONCERNING THE COST OF COMMON EQUITY AND OVERALL RATE**
4 **OF RETURN FOR TIMBERCREST BACK IN 2019 WHEN YOU WERE**
5 **PREPARING THIS FILING?**

6 A. Table 5 below provides the rate of return, return on equity (ROE), and capital structure
7 Timbercrest is requesting.

8 **TABLE 5**
Requested Rate of Return

| | Weighting | Requested Rates | Weighted Rate |
|---------------------------------|------------------|------------------------|----------------------|
| Debt | 50.00% | 4.92% | 2.46% |
| Equity | 50.00% | 10.92% | 5.46% |
| Requested Rate of Return | | | <u><u>7.92%</u></u> |

9 **Q. PLEASE SUMMARIZE THE COST OF CAPITAL ANALYSIS THAT**
10 **SUPPORTS THE 7.92% RATE OF RETURN ON RATE BASE.**

11 A. Since the Timbercrest property primarily operates as a MHP I used a proxy for debt of
12 4.92% which represents the Baa bond rating for public utilities as of December 2018
13 that can be found on the PUC’s website. The ROE request represents an addition of 6
14 points to the Baa bond rate or 10.92. Both of these rates are weighted using a 50/50
15 capital structure to arrive at an overall rate of return of 7.92% which I believe is a
16 reasonable rate given Timbercrest’s risk for its utility.

17 **Q. WHAT ROE’S HAS THE COMMISSION GRANTED WATER UTILITIES**
18 **RECENTLY?**

1 A. A review of the Rate of Return Report for water utilities published by the Commission
2 does not show many utilities awarded ROE's since most water utility rate cases were
3 settled without specifying the ROE. It appears that Corix in its most recent rate change
4 request received a 9.00% ROE in settlement (Docket 50557), and Monarch in its most
5 recent rate change request received a 9.00% ROE in settlement (Docket 50994). In
6 recent electric rate cases, the Commission awarded Sharyland Utilities a 9.38% ROE
7 in settlement (Docket 51611), and a 9.25% ROE to Southwestern Electric Power
8 Company in a fully litigated case (Docket 51415). All these utilities are well financed,
9 most have stock traded in major exchanges, and have capitalization in the multi
10 millions or billions. In other words, they carry much less risk than the utility embedded
11 in the Timbercrest mobile home park.

12 **Q. IN YOUR OPINION, WHAT FACTORS SHOULD THE COMMISSION**
13 **CONSIDER WHEN SETTING TIMBERCREST'S COST OF CAPITAL IN**
14 **THIS PROCEEDING?**

15 A. First, Timbercrest did not incur the expense of a cost of capital expert witness, as it is
16 willing to accept the ROE analysis contained in utilities' recent cases mentioned above
17 plus an additional premium of a point and half for added risk. Of course, a cost of
18 capital expert's analysis involves much more than just considering ROE's granted in
19 recent decisions; however I believe such an analysis would result in a recommendation
20 that would be close to or fall within the same ROE range comparable to the requested
21 10.92%. Secondly, I believe the Commission should understand that Timbercrest, has
22 incurred additional risk exposure due to the extreme administrative regulatory lag it has
23 had to endure; much greater than the utilities mentioned above.

1 **IX. INCOME TAXES**

2 **Q. HOW ARE THE INCOME TAXES COMPUTED FOR TIMBERCREST?**

3 A. This application reflects the prescribed methodology using the normalized method of
4 computing federal income taxes based on the return requested less weighted interest
5 cost. The federal income tax expense requested reflects the normalized method using
6 the corporate federal income tax rate of 21%.

7 **X. CUSTOMER CLASS COST OF SERVICE**

8 **Q. ONCE THE REVENUE REQUIREMENTS FOR WATER AND SEWER HAVE**
9 **BEEN FUNCTIONALIZED OR DETERMINED, WHAT IS THE NEXT STEP**
10 **BEFORE DESIGNING RATES?**

11 A. Given that the Residential customers have flat rates (unmetered) and the Commercial
12 class has metered rates, a fixed/variable rate structure for both classes is not possible.
13 Thus, revenue requirements for each customer class must be separately determined for
14 each class under water and sewer service so the rates designed can recover the revenue
15 requirements. The functionalization and customer cost allocation can be found in “WP-
16 Cust Class Cost of Ser Study” of the filing and provides a foundation for allocating
17 costs between the two services (water and sewer) and then the two classes (Residential
18 and Commercial). The foundation of the Customer Class Cost of Service Study
19 (CCOSS) is that each customer class should pay its cost of providing service plus a
20 reasonable return on the investment required to provide that service. Costs should be
21 distributed in a manner to allow the regulator to reasonably assume that Residential
22 class rates do not subsidize the Commercial class rates. The assignment of costs to the
23 various classes is accomplished by developing various allocation factors using the
24 utility’s expenses and investments. In most cost-of-service analyses, the basis for

1 developing allocators is “cost causation”, that is, when possible, the allocator should
 2 recognize and identify the key parameter or parameters that most influence the level of
 3 the cost incurred. The allocation factors applied in “WP-Cust Class Cost of Ser Study”
 4 can be found in “WP COSS Alloc Table” with the supporting calculations developing
 5 the allocation factors provided in “WP Alloc Support Calcs”. “WP-Cust Class Cost of
 6 Ser Study” takes the utilities total revenue requirement and directly assigns water and
 7 sewer amounts to their respective classes or allocates indirect costs according to a
 8 reasonable allocation factor. Once the amounts are “functionalized” to water or sewer,
 9 the costs in each service are allocated to Residential or Commercial classes. “WP-Cust
 10 Class Cost of Ser Study” identifies all the functional allocators and the class allocators.
 11 Table 6 below provides a summary of the cost functionalization and customer class
 12 allocation of the proposed water and sewer revenue requirements.

13 **TABLE 6**
 14 **Cost Functionalization and Customer Class Allocation of Proposed Revenue**
 15 **Requirements**

| | WATER | | | SEWER | | | Total |
|---------------------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|
| | Total | Residential | Commercial | Total | Residential | Commercial | |
| Assigned Revenues | \$95,664 | \$78,060 | \$17,604 | \$101,878 | \$61,439 | \$40,439 | \$197,542 |
| O&M Expense | \$79,002 | \$49,543 | \$29,458 | \$123,522 | \$77,968 | \$45,554 | \$202,524 |
| Other Taxes | \$12,685 | \$8,820 | \$3,865 | \$10,659 | \$7,404 | \$3,255 | \$23,344 |
| Depreciation Expense | \$16,339 | \$11,522 | \$4,817 | \$15,257 | \$10,540 | \$4,716 | \$31,596 |
| Requested Return | \$63,889 | \$44,937 | \$18,952 | \$50,052 | \$34,321 | \$15,730 | \$113,941 |
| Income Taxes | \$11,708 | \$8,235 | \$3,473 | \$9,172 | \$6,290 | \$2,883 | \$20,880 |
| Less: Other Revenues | (\$2,385) | (\$1,513) | (\$872) | (\$2,413) | (\$1,531) | (\$882) | (\$4,799) |
| Total Revenue Requirement | \$181,237 | \$121,543 | \$59,694 | \$206,248 | \$134,992 | \$71,256 | \$387,485 |
| Revenue Increase | \$85,574 | \$43,484 | \$42,090 | \$104,370 | \$73,553 | \$30,817 | \$189,944 |
| Percentage Increase | 89.45% | 55.71% | 239.09% | 102.45% | 119.72% | 76.21% | 96.15% |

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17

18 **Q. ARE THERE ANY UPDATES TO THE CUSTOMER CLASS COST OF**
 19 **SERVICE STUDY (CCOSS) RESULTING FROM RESPONSES TO STAFF**
 20 **DISCOVERY?**

1 A. Yes, an incorrect allocation was discovered that allocated the customer related water
 2 and sewer costs between customer classes². I use water attributes to allocate class costs
 3 for both water and sewer service. This approach simplifies the process since the
 4 residential and commercial customer attributes are practically identical for both water
 5 and sewer service. Thus, I corrected the customer allocation and updated the CCOSS
 6 to have separate residential and commercial class attributes for both water and sewer
 7 service. Table 7 below summarizes the updated version provided to Staff.

8 **TABLE 7**
 9 **Updated Cost Functionalization and Customer Class Allocation of**
 10 **Proposed Revenue Requirements**

| | WATER | | | SEWER | | | Total |
|---------------------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|
| | Total | Residential | Commercial | Total | Residential | Commercial | |
| Assigned Revenues | \$95,664 | \$78,060 | \$17,604 | \$101,878 | \$61,439 | \$40,439 | \$197,542 |
| O&M Expense | \$79,002 | \$60,816 | \$18,186 | \$123,522 | \$93,000 | \$30,522 | \$202,524 |
| Other Taxes | \$12,685 | \$9,071 | \$3,614 | \$10,659 | \$7,554 | \$3,105 | \$23,344 |
| Depreciation Expense | \$16,339 | \$11,522 | \$4,817 | \$15,257 | \$10,622 | \$4,635 | \$31,596 |
| Requested Return | \$63,889 | \$45,104 | \$18,785 | \$50,052 | \$34,911 | \$15,141 | \$113,941 |
| Income Taxes | \$11,708 | \$8,266 | \$3,442 | \$9,172 | \$6,398 | \$2,775 | \$20,880 |
| Less: Other Revenues | (\$2,385) | (\$1,901) | (\$484) | (\$2,413) | (\$1,937) | (\$476) | (\$4,799) |
| Total Revenue Requirement | \$181,237 | \$132,877 | \$48,361 | \$206,248 | \$150,547 | \$55,701 | \$387,485 |
| Revenue Increase | \$85,574 | \$54,817 | \$30,756 | \$104,370 | \$89,108 | \$15,263 | \$189,944 |
| Percentage Increase | 89.45% | 70.22% | 174.71% | 102.45% | 145.03% | 37.74% | 96.15% |

11
 12 **Q. DO YOU BELIEVE THE UPDATED CUSTOMER CLASS COST OF SERVICE**
 13 **STUDY RESULTS PROVIDED TO STAFF ARE APPROPRIATE FOR**
 14 **SETTING RATES?**

15 A. While the study may be technically correct based on the corrections and updates to my
 16 allocation assignments, I believe the original customer class cost of service study

² See the Company's response to the Staff's 6th data request 6-1.

1 produces revenue requirements for each class that better reflects the cost of service of
2 each class.

3 **Q. WHY DO YOU BELIEVE THE ORIGINAL CUSTOMER CLASS COST OF**
4 **SERVICE IS A BETTER FIT?**

5 A. The results of the updated version do not reasonably assign costs between the
6 residential and commercial class. The customer class allocation represents 335
7 connections for Residential water and 4 and 3 connections for Commercial water and
8 sewer respectively. This equates to a 99% allocation to Residential and a 1% to
9 Commercial or an allocation prone to creating subsidies rather than a reasonable
10 assignment of costs for the reason that one of the Commercial customers is a 245-unit
11 apartment complex with an 8-inch meter and another is a convenience store with a
12 carwash and multiple larger meters. A mere 1% allocation of any customer related costs
13 to the Commercial class would not reflect a reasonable “cost causation” assignment.

14 The normalized average test year water demand and volumetric usage is about 70%
15 Residential/ 30% Commercial for water and 71% Residential/29% Commercial for
16 sewer. The updated version provided in the response to Staff’s 6th customer class cost
17 of service results in a Residential/Commercial average of 73%/27% for both water and
18 sewer. I updated my original customer CCOSS with a customer cost allocator that
19 more appropriately reflects “cost causation³” which eliminates the subsidies caused by
20 the unreasonable residential/commercial customer connections allocation used in the
21 updated CCOSS provided to Staff. Table 8 below presents a summary of the new
22 proposed customer class cost of service and Table 9 below compares the initial and

³ The replacement allocation is the average of customer demand and volumetric usage for each class

1 update customer class cost of service studies to a proposed new study that improves the
 2 alignment of the residential and commercial classes to reflect the attributes of the
 3 residential and commercial classes for both water and sewer.

4 **TABLE 8**
 5 **Proposed Cost Functionalization and Customer Class Allocation of Revenue**
 6 **Requirement**

| | WATER | | | SEWER | | | Total |
|---------------------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|
| | Total | Residential | Commercial | Total | Residential | Commercial | |
| Assigned Revenues | \$95,664 | \$78,060 | \$17,604 | \$101,878 | \$61,439 | \$40,439 | \$197,542 |
| O&M Expense | \$79,002 | \$55,382 | \$23,620 | \$123,522 | \$86,307 | \$37,215 | \$202,524 |
| Other Taxes | \$12,685 | \$8,862 | \$3,823 | \$10,659 | \$7,447 | \$3,212 | \$23,344 |
| Depreciation Expense | \$16,339 | \$11,522 | \$4,817 | \$15,257 | \$10,540 | \$4,716 | \$31,596 |
| Requested Return | \$63,889 | \$44,998 | \$18,891 | \$50,052 | \$34,553 | \$15,499 | \$113,941 |
| Income Taxes | \$11,708 | \$8,246 | \$3,462 | \$9,172 | \$6,332 | \$2,840 | \$20,880 |
| Less: Other Revenues | (\$2,385) | (\$1,673) | (\$713) | (\$2,413) | (\$1,692) | (\$721) | (\$4,799) |
| Total Revenue Requirement | \$181,237 | \$127,338 | \$53,900 | \$206,248 | \$143,487 | \$62,761 | \$387,485 |
| Revenue Increase | \$85,574 | \$49,278 | \$36,296 | \$104,370 | \$82,048 | \$22,322 | \$189,944 |
| Percentage Increase | 89.45% | 63.13% | 206.17% | 102.45% | 133.54% | 55.20% | 96.15% |

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TABLE 9
Comparison of Customer Class Cost of Service Study Versions

| | WATER | | | SEWER | | | Total |
|--|-----------|---------------|---------------|-----------|---------------|---------------|-----------|
| | Total | Residential | Commercial | Total | Residential | Commercial | |
| As Filed | \$181,237 | \$121,543 | \$59,694 | \$206,248 | \$134,992 | \$71,256 | \$387,485 |
| Percent of Total/Service | 46.77% | 67.06% | 32.94% | 53.23% | 65.45% | 34.55% | |
| Updated Staff Response | \$181,237 | \$132,877 | \$48,361 | \$206,248 | \$150,547 | \$55,701 | \$387,485 |
| Percent of Total/Service | 46.77% | 73.32% | 26.68% | 53.23% | 72.99% | 27.01% | |
| Proposed | \$181,237 | \$127,338 | \$53,900 | \$206,248 | \$143,487 | \$62,761 | \$387,485 |
| Percent of Total/Service | 46.77% | 70.26% | 29.74% | 53.23% | 69.57% | 30.43% | |
| Average Demand & Volumetric Use | | 70.12% | 29.88% | | 70.83% | 29.17% | |

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Table 9 above shows that the Proposed study is more closely aligned to each classes demand and volumetric usage attributes than the “As Filed” and “Updated” versions.

XI. REQUESTED WATER AND WASTEWATER RATES

Q. PLEASE DESCRIBE TIMBERCREST’S PROPOSED RATE DESIGN FOR WATER AND WASTEWATER RATES.

A. I updated the proposed rates to reflect the CCOSS proposed in Table 8 adjusted by the updates reflected in Table 3. Table 10 below provides a summary of the revenue requirements used for each service and class to design rates.

**TABLE 10
Revenue Requirements Used For Designing Rates**

| | RESIDENTIAL | | COMMERCIAL | |
|---------------------------------------|--------------------|-----------------|-------------------|-----------------|
| | Water | Sewer | Water | Sewer |
| Revenue Requirement (Table 8) | \$127,338 | \$53,900 | \$143,487 | \$62,761 |
| Revenue Requirement Updates (Table 3) | (\$730) | (\$315) | (\$607) | (\$262) |
| Revenue Requirement for Rate Design | \$126,608 | \$53,585 | \$142,880 | \$62,499 |

The Company is proposing uniform flat fixed rates for the Residential class rates for both water and sewer. Again, this approach is used since the Residential customers do not have water meters. The proposed Residential rates will serve as a proxy that will be “carved out” of monthly rents and booked to utility revenues. Table 11 below provides the current and proposed rates along with their bill impacts.

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TABLE 11
Current & Proposed Residential Water & Sewer Rates With Bill Impacts

| | Current Rates * | Proposed Rates | Percent Change |
|------------------------------------|------------------------|-----------------------|-----------------------|
| WATER | | | |
| Meter Base Charge 5/8" | \$18.75 | \$31.49 | 67.97% |
| Base Volumetric Rate | \$1.25 | \$0.00 | n/a |
| SEWER | | | |
| Meter Base Charge 5/8" | \$15.00 | \$35.54 | 136.95% |
| Base Volumetric Rate | \$1.65 | \$0.00 | n/a |
| WATER | | | |
| Typical Bill @ 5k Gals | \$21.25 | \$31.49 | 48.21% |
| Typical Bill @ 10k Gals | \$27.50 | \$31.49 | 14.52% |
| SEWER | | | |
| Typical Bill @ 5k Gals | \$23.25 | \$35.54 | 52.87% |
| Typical Bill @ 10k Gals | \$31.50 | \$35.54 | 12.83% |
| * Current Includes 3,000 of Usage. | | | |

The proposed rates for the Commercial class reflect different fixed meter rates and volumetric rates for water and sewer. The Commercial fixed ratios are higher in order to stabilize and limit the bill impacts on the Commercial customers. Table 12 below shows the current and proposed rates along with their bill impacts. The volumetric rate for Commercial water is reasonable when the North Harris County Regional Water Authority rates, adjusted for a 15% water loss, is included as presented Table 12.

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TABLE 12
Current & Proposed Commercial Water & Sewer Rates With Bill Impacts

| | Current Rates | Proposed Rates | Percent Change |
|--|----------------------|-----------------------|-----------------------|
| WATER | | | |
| Meter Base Charge 5/8" | \$18.75 | \$33.77 | 80.12% |
| Base Volumetric Rate | \$1.25 | \$0.37 | -70.72% |
| NHCRWA Surcharge* | \$4.60 | \$4.60 | n/a |
| SEWER | | | |
| Meter Base Charge 5/8" | \$15.00 | \$39.39 | 162.60% |
| Base Volumetric Rate | \$2.50 | \$0.50 | -80.17% |
| WATER ** | | | |
| Typical Bill @ 5k Gals | \$25.00 | \$35.60 | 42.41% |
| Typical Bill @ 10k Gals | \$31.25 | \$37.43 | 19.78% |
| SEWER | | | |
| Typical Bill @ 5k Gals | \$27.50 | \$41.87 | 52.25% |
| Typical Bill @ 10k Gals | \$40.00 | \$44.35 | 10.87% |
| * North Harris County Regional Water Authority charge per 1,000 gallons. Surcharge to Commercial Water customers only. | | | |
| ** Typical Bills do not reflect NHCRWA surcharge. | | | |

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XII. RATE CASE EXPENSE SURCHARGE

6

Q. PLEASE DESCRIBE TIMBERCREST’S PROPOSED METHODOLOGY FOR THE RECOVERY OF RATE CASE EXPENSES.

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A. Timbercrest can recover rate case expenses from only its Commercial customers and not its Residential customers since they are not billed. Thus only a portion of the rate case expenses can be recovered. I propose the rate case expenses recovered from the Commercial class be based on their share of the total revenue requirements. Table 13 below shows total rate case expenses as of the time this testimony was filed of \$160,72⁴

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⁴ See Company’s response to Staff’s 7th, Attachment 7-1.

1 The Commercial class's share of rate case expenses is determined by their share of the
 2 total revenue requirement as calculated in the footnote of Table 13. The footnote
 3 calculation shows that approximately 30.11 % or \$48,390 of the total rate case expense
 4 can be attributed to the Commercial class. This amount will be collected over three
 5 years or \$16,130 per year based on the Commercial customers meter size. Table 13
 6 shows what the monthly rate case surcharge will be for each meter size. The surcharge
 7 proof uses the Commercial meter sizes and counts at the time the rate case was filed.
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10 **TABLE 13**
Proposed Rate Case Expense Surcharge – Commercial Customers Only

| Description | | Water | Sewer | |
|--|------------------|--------------------------|----------------|----------------|
| Rate Case Expense Per Staff 7-1 | <i>\$160,727</i> | \$22,337 * | \$26,053 * | |
| Three Year Surcharge Recovery | | \$7,446 | \$8,684 | |
| Meter Equivalents (ME) | | 119 | 119 | |
| Annual Recovery Per ME | | \$62.57 | \$72.98 | |
| Monthly Recover Per ME | | \$5.21 | \$6.08 | |
| Monthly Surcharge | | ME | | |
| | 5/8" | 1.00 | \$5.21 | \$6.08 |
| | 1" | 2.50 | \$13.04 | \$15.20 |
| | 1 1/2" | 5.00 | \$26.07 | \$30.41 |
| | 2" | 8.00 | \$41.71 | \$48.65 |
| | 3" | 15.00 | \$78.21 | \$91.22 |
| | 4" | 25.00 | \$130.35 | \$152.04 |
| | 6" | 50.00 | \$260.70 | \$304.07 |
| | 8" | 80.00 | \$417.12 | \$486.52 |
| | 10" | 115.00 | \$599.62 | \$699.37 |
| | 12" | 215.00 | \$1,121.02 | \$1,307.52 |
| Surcharge Proof | | Annual Bill Count | | |
| | 1.5" | 36.00 | \$939 | \$1,095 |
| | 2" | 36.00 | \$1,502 | \$1,751 |
| | 8" | 12.00 | \$5,005 | \$5,838 |
| Annual Surcharge Recovery | | | \$7,446 | \$8,684 |
| * Surcharge Amount Based on Commercial Revenue Requirements | | | | |
| Commercaill Water Rev. Req. | \$53,585 | 13.90% | | |
| Commercial Sewer Rev. Req. | \$62,499 | 16.21% | | |
| Commercial Total Rev. Req. | <u>\$116,084</u> | <u>30.11%</u> | | |
| Company Total Rev. Req. | <u>\$385,571</u> | <u>100.00%</u> | | |

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1 **Q. DID YOU INCLUDE YOUR RATE CASE EXPENSE AFFIDAVIT AND GDS**
2 **ASSOCIATES INVOICES AS AN ATTACHMENT TO THIS TESTIMONY?**

3
4 A. Yes. It is attached as Attachment CEL-3.

5

6 **XIII. CONCLUSION**

7 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

8 A. Yes, it does.

ATTACHMENT CEL-1
RESUME & CV OF CHARLES LOY

Charles E. Loy, CPA
Principal

GDS Associates, Inc.
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EDUCATION: BBA Accounting, University of Texas at Austin
Certified Public Accountant, Texas

PROFESSIONAL MEMBERSHIPS:

American Water Works Association
National Association of Water Companies
Water Environment Federation
Texas Society of Certified Professional Accountants
American Public Gas Association
Texas Gas Association

EXPERIENCE:

Mr. Loy has over 25 years' of experience helping organizations meet challenges arising in both regulated and competitive environments within in the utility industry.

2001-Present GDS Associates, Inc.: Principal – Mr. Loy started with GDS in June of 2001. His focus is on regulatory accounting and finance. He is experienced in water, wastewater, natural gas, and electric regulatory and accounting matters. Mr. Loy assisted a number of water, wastewater and gas distribution clients with rate case filings before various regulatory authorities in a number of states. He has assisted with the financial analysis of wholesale purchase power and retail aggregation projects as a result of the deregulation of the electric industry in Texas. He has conducted analysis and developed recommendations regarding the Southwest Power Administration's rate increase on behalf of member clients. He has participated in a number of natural gas and electric projects involving rate increases, acquisition analysis and other special projects.

1999-2001 AquaSource Inc.: General Manager Rates and Regulatory Affairs - AquaSource Inc., a wholly owned subsidiary of DQE Inc and parent of Duquesne Light. AquaSource was formed in 1997 to take advantage of the consolidation in the water and wastewater industries and spent three years and more than \$400 million acquiring water and wastewater companies. Mr. Loy's duties included directing the compilation and filing of rate cases, acquisition analyses and related filings, regulatory commission/governmental relations in the twelve states in which AquaSource operates. Additionally, he supervised a professional staff located throughout the country and assisted in business development, developer contract negotiations and other special projects. His appointment came in the middle of AquaSource's aggressive acquisition phase. Accordingly, his first year was spent primarily working to clean up a very chaotic regulatory situation.

1993-1999 Citizens Utilities Company: Manager, Regulatory Affairs – Mr. Loy served as Project Manager of numerous multiple-company water and wastewater rate case filings, in Ohio, Illinois, Pennsylvania and Arizona. In those cases, he prepared and presented testimony, developed revenue requirement calculations, generated revenue and expense pro forma adjustments, performed working capital lead/lag studies, and evaluated rate design/cost of service issues. He proposed surcharge mechanisms for purchased water, a reverse osmosis process, and contract waste treatment. Additionally, Mr. Loy designed and directed the development of the multiple company revenue requirement models that generated filing schedules. In the fall of 1997, Citizens promoted Mr. Loy to Manager Regulatory Affairs. In the new position, he supervised the staff responsible for all regulatory activity involving gas, electric and water/wastewater in

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Principal

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ten states. He was a key member of a team that negotiated a multimillion dollar water and wastewater agreement with a major developer in Phoenix on behalf of Citizens.

1989-1993 Southern Union Gas Company: Rate Manager – Mr. Loy joined Southern Union as Sr. Internal Auditor. In that capacity, he contributed to multiple projects pertaining to the upcoming merger with a large publicly traded corporation. These projects included supervising audits of gas purchases, accounts receivable, accounts payable and oil and gas holdings. He was promoted to Rate Manager reporting to the Vice President of Regulatory Affairs. In that capacity, he supervised a team of four directing the preparation and implementation of 16 rate increase applications before various municipal and state regulatory bodies, and led negotiating sessions with elected and municipal officials. In addition to improving efficiency, he developed several rate mechanisms that resulted in increased earnings. One such efficiency was the Weather Normalization Adjustment Clause (WNAC). By eliminating weather-sensitive fluctuations, the WNAC increased earnings as much as 12%. He also developed a Cost of Service Adjustment Clause (CSAC) which was established in several smaller municipal jurisdictions. The CSAC allowed annual rate increases without the time and expense of major rate filings. Also, Mr. Loy performed analysis and due diligence for numerous municipal and private acquisitions.

1987-1989 Diversified Utility Consultants, Inc.: Sr. Accounting Analyst - Diversified Utility Consultants (DUC) is a consulting firm which represents consumers' interests in rate case proceedings. The firm's clients include municipalities and various state-supported consumer agencies. As a Sr. Accounting Analyst, Mr. Loy worked on seven electric rate cases, two gas rate cases and one water rate case.

Prior to 1987 Mr. Loy spent summers in college rough necking, both offshore and onshore, on oil and gas drilling rigs. His first job after college was in the oil & gas industry where he started in accounts receivable and specialized in collecting past due accounts. He was in the Joint Interest Auditing Department where he reviewed drilling costs and negotiated refunds for the company and its joint interest owners.

Utility Rate Making Experience:

Mr. Loy has presented testimony and/or participated in cases before the following regulatory bodies:

Pennsylvania Public Utility Commission
Public Utilities Commission of Ohio
Indiana Regulatory Commission
Idaho Public Utilities Commission
Illinois Commerce Commission
Arizona Corporation Commission
Arkansas Public Utility Commission
Oklahoma Corporation Commission
Texas Railroad Commission
Texas Public Utilities Commission
Texas Commission on Environmental Quality
Delaware Public Service Commission
New Mexico Public Regulation Commission
New York Public Service Commission
Connecticut Department of Public Utility Control
New Jersey Board of Public Utilities
El Paso Public Utilities Board

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**WATER/WASTEWATER/GAS/ELECTRIC EXPERIENCE
LIST OF TESTIMONY, EXPERT PROCEEDINGS, AND ENGAGEMENTS BY
CHARLES E. LOY, CPA**

ELECTRIC UTILITY RATES AND REGULATION EXPERIENCE

Public Utility Commission of Texas

Docket No. 43731

Prepared a cash working capital study and testimony on behalf of Cross Texas Transmission LLC 2015 Rate Application to establish rates.

Public Utility Commission of Texas-cont.

Docket No. 41474

Prepared a cash working capital study and testimony on behalf of Sharyland Utilities L.P.'s 2013 Rate Application to establish retail distribution rates.

Docket No. 31250

Presented testimony and rate filing on behalf of Rio Grande Electrical Cooperatives 2005 Change in rates for wholesale transmission service.

Docket No. 8702

Assisted in the analysis of Gulf States Utilities 1987 rate request.

Docket 8646

Assisted in the analysis of Central Power & Light's 1988 rate request.

Docket 7661

Assisted in the analysis of the City of Fredericksburg's proposed amendment to Certificate of Convenience.

Docket 7510

Assisted in the analysis of West Texas Utilities Company's 1987 rate request.

Federal Energy Regulatory Commission

Docket No. ER88-202-0000

Assisted in the analysis of the Maine Yankee Atomic Power Plant Decommissioning.

Docket No. ER88-224-0000

Assisted in the analysis of the Carolina Power & Light Company Atomic Power Plant Decommissioning.

City of Bryan

- Developed and programmed data management system for the city electric department.

City of Fredericksburg

- Organized and performed an electric rate survey of Central Texas.
- Assisted in a load and rate design study.

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City of Austin

- Assisted in the analysis of the City Electric Utility Department's 1989 rate request.

Other Electric Related Engagements

Dynamic Energy Concepts Incorporated

Assisted with the review of electric contracts, tariffs, analyzed usage data and assessed procurement practices for a number of US Veteran Hospitals across the country

Other Electric Related Engagements-cont.

Northeast Texas Electrical Cooperative

- Ongoing review/analysis of Southwest Power Administration's annual Integrated Power Repayment Studies and resulting rates.
- Ongoing review/analysis of Southwest Electric Power Company's annual formulary wholesale rate adjustments.

Tex-La Electric Cooperative

- Ongoing review/analysis of Southwest Power Administration's annual Integrated Power Repayment Studies and resulting rates.
- Ongoing review/analysis of Southwest Electric Power Company's annual formulary wholesale rate adjustments

Sam Rayburn G&T Electrical Cooperative

- Ongoing review/analysis of Southwest Power Administration's annual Integrated Power Repayment Studies and resulting rates.
- Ongoing review/analysis of Southwest Power Administration's annual Robert D. Willis Power Repayment Studies and resulting rates.

East Texas Electrical Cooperative

- Ongoing review/analysis of Southwest Electric Power Company's annual formulary wholesale rate adjustments
- Ongoing review/analysis of Southwest Power Administration's annual Robert D. Willis Power Repayment Studies and resulting rates.

H.E. Butt Grocery Company

Electricity procurement assistance and analysis of supply alternatives

Martin Marietta Materials

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Electricity procurement assistance and analysis of supply alternatives

C.H. Guenther & Son, Inc.

Electricity procurement assistance and analysis of supply alternatives

Van Tuyl, Inc.

Electricity procurement assistance and analysis of supply alternatives

WATER UTILITY RATES AND REGULATION EXPERIENCE

Arizona Corporation Commission

Docket No. WS-01303A-006-0403

Presented testimony, prepared the Cost of Service study and rate design on behalf of Arizona-American Sun City and Sun City West Wastewater rate request.

Docket No. WS-01303A-06-0403

Presented testimony, prepared the Cost of Service study and rate design on behalf of Arizona-American Anthem/Aqua Fria Water and Wastewater rate request.

Docket No. WS-01303A-06-0014

Presented testimony, prepared the Cost of Service study, rate design, and assisted with the preparation of the revenue requirements on behalf of Arizona-American Mohave Water and Wastewater rate request.

Docket No. W-01656A-98-0577, SW-02334A-98-0577

Presented testimony for approval of a Central Arizona Project Water utilization plan, the implementation of a Groundwater Savings Fee and the recovery of deferred project costs.

Docket WS-02334A-98-0569

Presented a filing for the approval of an agreement relating to a wastewater plant de-nitrification project with the Sun City Recreation Centers and Del Webb Corporation.

Docket U-3454-97-599

Prepared and presented a filing for the approval of a CCN to provide water and wastewater services to Del Webb's Anthem project and the approval of two related agreements.

Docket No. E-1032-95-417 ET AL.

Presented testimony and prepared the rate filing on behalf of Citizens Utilities Maricopa County water properties 1995 rate request.

Arkansas Public Service Commission

Docket No. 06-160-U

Presented testimony, prepared the Cost of Service study and rate design on behalf of United Water Arkansas's 2006 rate request.

Docket No. 03-161-U

Presented testimony, prepared the Cost of Service study, rate design, and assisted with the preparation of the revenue requirements on behalf of United Water Arkansas's 2003 rate request.

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Connecticut Department of Public Utility Control

Docket No. 07-05-44

Prepared the rate filing and supporting testimony on behalf of United Water Connecticut's 2007 water rate request.

Public Service Commission of Delaware

PSC Docket No. 09-60

Presented testimony, prepared the Cost of Service study and rate design on behalf of United Water Delaware's 2009 rate request.

PSC Docket No. 06-174

Presented testimony, prepared the Cost of Service study, rate design, revenue normalization and cash working capital requirements on behalf of United Water Delaware's 2006 rate request.

Idaho Public Utilities Commission

Case No. UWI-W-09-01

Presented testimony, prepared revenue and expense pro forma adjustments, and proposed rate design on behalf of United Water Idaho, Inc. 2010 rate request.

Indiana Utility Regulatory Commission

Cause No. 41842

Prepared the filing and presented testimony for the Petition of Utility Center Inc. for the recovery of Distribution System Improvement Charges -2001

Cause No. 41559

Prepared the filing and presented testimony for a Certificate of Territorial Authority to render Sewage service.- 2000

Cause No. 41968

Directed the preparation of Utility Center Inc.' request for authority to increase its rates and charges for water and sewer service. -2000

Illinois Commerce Commission

Docket No. 94-0481

Presented testimony and prepared the filing on behalf of Citizens Utilities Company of Illinois 1994 rate request.

Docket No. 95-0633

Presented testimony on behalf of Citizens Utilities Company of Illinois in Tudor Park Apartments vs. Citizens Utilities of Illinois.- 1995

Docket No. 97-0372

Presented testimony on behalf of Citizens Utilities of Illinois in the Application for Consent to and Approval of a Contract with Affiliated Interests. 1997

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Principal

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State Board of New Jersey Public Utilities

BPU Docket No. WRO702125

Prepared and presented testimony on the determination of the cash working capital requirements on behalf of United Water New Jerseys 2007 rate request.

New Mexico Public Regulation Commission

Case No. 11-00196-UT

Presented testimony and assisted with the preparation of the water rate filing on behalf of New Mexico American Water Company Clovis District

Case No. 09-00156-UT

Presented testimony and prepared the water rate filing on behalf of New Mexico American Water Company Edgewood District

Case No. 07-00435-UT

Presented testimony and prepared the water and wastewater rate filing on behalf of New Mexico Utilities Inc.

Case No. 08-00134-UT

Presented testimony and prepared the water rate filing on behalf of New Mexico –American Water Co.

New York Public Service Commission

Presented testimony, prepared the Cost of Service study and rate design on behalf of United Water New Rochelle's 2010 rate request.

Public Utilities Commission of Ohio

Docket No. 98-178-WS-AIR

Presented testimony and prepared the filing on behalf of Citizens Utilities Company of Ohio 1998 rate request.

Docket No. 94-1237

Presented testimony and prepared the filing on behalf of Citizens Utilities Company of Ohio 1994 rate request.

Pennsylvania Public Utility Commission

Docket No. R-2009-2122887

Presented testimony, prepared the Cost of Service study and rate design on behalf of United Water Pennsylvania's 2009 rate request.

Docket No. R-00051186

Assisted with analysis/filing preparation of United Water Pennsylvania, Inc. 2005 Rate Case.

Docket No. R-00953300

Presented testimony on behalf of Citizens Utilities Company of Pennsylvania 1995 rate request.

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Texas Commission of Environmental Quality

SOAH Docket 582-14-3415

Application for a 2013 Water Rate/Tariff Change of Canyon Lake Water Service Company
Prepared the application and filed testimony on behalf of Canyon Lake WSC.

SOAH Docket No. 582-14-3384

Application for a 2013 Water and Sewer Rate/Tariff Change of SWWC Inc.
Prepared application on behalf of SWWC, Inc.

SOAH 582-14-3381

Application for a 2013 Water and Sewer Rate/Tariff Change of Monarch Utilities LP
Prepared application on behalf of SWWC, Inc.

SOAH Docket No. 582-12-0224

STM Application of Monarch Utilities I, L.P. to Transfer Water and Sewer Facilities and Certificates of Convenience and Necessity – provided assistance

Application 37531-R

Application for a Water Rate/Tariff Change of Quadvest L.P. Prepared application on behalf of Quadvest L.P.
Prepared application on behalf of Quadvest L.P.

Applications 37507-R and 37508-R

Application for a Water and Sewer Rate/Tariff Change of Ranch Utilities, Inc. Prepared application on behalf of Ranch Utilities, Inc.

Application 37317-R

Application for a Water Rate/Tariff Change of Wiedenfeld Water Works, Inc. Prepared application on behalf of Wiedenfeld Water Works, Inc.

Applications 37234-R and 37235-R

Application for a Water and Sewer Rate/Tariff Change of Aqua Texas, Inc. North and Southwest Regions
Prepared application on behalf of Aqua Texas, Inc.

SOAH Docket No, 582-12-0224

Application for a Water and Sewer Rate/Tariff Change of Monarch Utilities LP
Prepared application on behalf of SWWC, Inc.

SOAH Docket No. 582-11-1468

Application for a 2010 Water Rate/Tariff Change of Canyon Lake Water Service Company
Prepared the application and filed testimony on behalf of Canyon Lake WSC.

SOAH Docket No. 582-11-1458

Application for a Water and Sewer Rate/Tariff Change of Aqua Texas, Inc. Southeast Region
Prepared application on behalf of Aqua Texas, Inc.

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Principal

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Texas Commission of Environmental Quality-cont.

Docket No. 0580-UCR

Application for a 2009 Water Rate/Tariff Change of Canyon Lake Water Service Company
Prepared the application on behalf of Canyon Lake WSC.

Docket No. 35850-R

Application for a 2007 Water Rate/Tariff Change of Canyon Lake Water Service Company
Prepared the application on behalf of Canyon Lake WSC.

Docket No. 33763-R

Application for a 2007 Water and Sewer Rate/Tariff Change of Midway, Inc. For the City of Oak Point Service area. Filing initially made with the City of Oak Point.

Docket Nos. 35748-R & 35747-R

Application for a Water and Sewer Rate/Tariff Change of Monarch Utilities LP
Prepared the application on behalf of Monarch.

Docket No. 2006-0072-UCR

Application for a Water and Sewer Rate/Tariff Change of Aqua Texas, Inc
Prepared application and presented testimony on behalf of Aqua Texas, Inc.

Docket No. 2007-0478-UCR

Application for a Water and Sewer Rate/Tariff Change of Texas American Water Inc.
Prepared the application on behalf of Texas American Water.

Docket No. 2005-0114-UCR

Application for a Water and Sewer Rate/Tariff Change of Aqua Texas, Inc
Presented Testimony on behalf of Aqua Texas, Inc.

Docket No. 2004-2029-UCR

Application for a Water and Sewer Rate/Tariff Change of Walker Water Works, Inc.
Prepared the application on behalf of Texas American Water.

Application Nos. 34658-R & 34659-R

Application for a Water and Sewer Rate/Tariff Change of Southwest Utilities, Inc.
Prepared the application on behalf of Texas American Water.

Docket Nos. 2000-1074-UCR, 2000-1075-UCR, 2000-1366 UCR through 2000-1369 UCR
Assisted in the preparation and presentation of the Aqua Source 2000 rate increase

Application No. 7371-R (Texas Water Commission)

Assisted in the analysis of Southern Utilities 1988 rate request on the behalf of Southern Utilities customers.

Charles E. Loy, CPA
Principal

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Other Water Related Engagements and Expert Proceedings

Town of Providence Village

Developed Expert Witness Report for Denton County Court Cause No. 2011-60876-393
Analysis of Agreements between Mustang SUD and Providence Village WCID

Mitchell County Utility

Assist with divestiture of water utility assets

City of Longview

Ongoing assistance with development of annual formulary wholesale water and wastewater treatment rates.

Aqua Texas, Inc.

Ongoing calculation and updates of Regional Uniform CIAC Fees

Other Water Related Engagements and Expert Proceedings-cont.

Dripping Springs WSC, Hays County WCID 1&2

Review and analysis of West Travis County Public Utility Agency wholesale rate cost of service and rate increase 2012.

SWWC Inc.

- Decertification analysis and valuation of the CCN for Crosswinds development area.
- Decertification analysis and valuation of the CCN for TXI development area.
- Decertification analysis and valuation of the CCN for Tower Terrace/Kilgore Tract development area.
- Decertification analysis and valuation of the CCN for Villages at Warner Ranch development area.
- Long term forecast of all components of the revenue requirements of all Texas utilities

Crystal Clear WSC

Decertification analysis and valuation of the CCN for Texas GLO development area around New Braunfels Texas

Woodbine Development Corp.

Analysis and assistance with LCRA Windmill Ranch wholesale wastewater services contract renegotiations.

Rebecca Creek MUD

Before and after rate comparison, analysis and forecast regarding the merger proposed by Canyon Lake Water Supply Company.

Global Water Resources

Expert witness before American Arbitration Association regarding the financial standing and regulatory status of Global Water.

Charles E. Loy, CPA
Principal

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Other Water Related Engagements and Expert Proceedings-cont.

City of Alexandria, Louisiana

Financial review, allocated cost of service and rate study for the water and wastewater systems.

Corix Utilities

Assistance with bid preparation and analysis regarding the LCRA retail water and wastewater divestiture.

Golden State Water Company

Assistance with bid concerning divestiture of SWWC Inc.

United Water Management and Services

Developed report regarding Texas IOU regulation for internal assessment of the Texas water regulatory status.

Greater Austin Water Forum

Assisted industrial class water users with analysis and participation in the City of Austin 2008 Cost of Service Study.

New Mexico Utilities

Review/analysis and critique report on Albuquerque Bernalillo County Water Utility Authority's Cost of Service Wholesale Wastewater Rate Model

GAS UTILITY RATES AND REGULATION EXPERIENCE

Railroad Commission of Texas

GUD Docket 10190

Prepared filing and testimony of behalf of Hughes Natural Gas 2012 rate increase for the environs of the City of Magnolia.

GUD Docket 10083

Prepared filing and testimony of behalf of Hughes Natural Gas 2011 rate increase for the incorporated area of the City of Magnolia and environs.

GUD Docket 9731

Prepared filing and testimony of behalf of Hughes Natural Gas 2007 rate increase for the environs of the City of Magnolia.

GUD Docket 9488-9512

Prepared filing and testimony of behalf of West Texas Gas 2004 rate increase for the environs of cities served.

GUD Docket 8033

Filed testimony on behalf of Southern Union Gas Company's 1991 appeal for a rate increase in South Jefferson County.

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Railroad Commission of Texas-cont.

GUD Docket 7878

Filed testimony and prepared the rate filing on behalf of Southern Union Gas Company's 1991 request for a rate increase in the Austin environs.

GUD Docket 6968

Assisted in the analysis of Southern Union Gas Company's 1987 appeal for a rate increase on the behalf of the City of Austin

Oklahoma Corporation Commission

Docket No. 001345

Presented testimony and prepared the rate filing on behalf of Southern Union Gas Company's 1992 rate request.

Pennsylvania Public Utility Commission

Docket No. 2013-2386293

Assisted the University of Pennsylvania with the analysis of Veolia Energy Philadelphia Inc.'s 2013 steam rate case.

Docket No. 2009-2111011

Assisted the University of Pennsylvania with the analysis of Trigen-Philadelphia Energy Corp's 2009 steam rate case.

Federal Energy Regulatory Commission

Docket No. RP09-791-000

Assist municipal customers of MoGas analyze issues in FERC 2009 gas transportation rate case.

City of Austin

- Presented testimony and prepared filing as well as conducted settlement negotiations associated with Southern Union's 1993 rate request.
- Presented testimony and prepared filing on behalf of Southern Union Gas Company's 1991 rate request.
- Assisted in the analysis of Southern Union Gas Company's 1987 rate request on behalf of the City of Austin.

City of El Paso Public Service Board

- Presented testimony and prepared filing as well as participated in the settlement negotiations of Southern Union's 1993 rate request.
- Presented testimony and prepared filing on behalf of Southern Union Gas Company 1991 rate request.

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City of El Paso Public Service Board-cont.

- Presented testimony and prepared the filing on behalf of Southern Union Gas Company 1990 request.

City of Port Arthur

- Presented testimony and prepared filing on behalf of Southern Union Gas Company's 1991 rate request.
- Participated in Southern Union Gas Company's 1990 rate request.

City of Monahans

- Presented testimony and prepared filing on behalf of Southern Unions Gas Company's 1992 rate request.
- Assisted in the analysis of Southern Union Gas Company's 1989 rate request on the behalf of the City of Monahans.

City of Borger

- Prepared testimony and prepared the filing on behalf of Southern Union Gas Company's 1992 rate request.
- Participated in Southern Union Gas Company's 1989 rate request on the behalf of the City of Borger.

City of Galveston

- Presented testimony and prepared the filing on behalf of Southern Union Gas Company's 1992 rate request.

Other Gas Related Engagements

Mitchell County Utility

Assist with divestiture of gas utility assets

Hughes Natural Gas

Ongoing assistance with GRIP filings

Markwest Energy Partners

Ongoing transportation rates and regulatory consulting

Consolidated Asset Management Services (CAMS)

Ongoing assistance regarding RRC Transmission pipeline issues

City of Alexandria, Louisiana

Financial review, allocated cost of service and rate study for the gas system.

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Principal

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Other Gas Related Engagements-cont

City of George West, Texas
Gas utility rate study

Alamo Transmission
Assisted with initial tariff development and related cost of service

Dynamic Energy Concepts Incorporated
Assisted with the review of gas contracts, tariffs, analyzed usage data and assessed procurement practices for a number of US Veteran Hospitals across the country.

ATTACHMENT CEL-2
RESUME & CV OF D. RAY YOUNG P.E.

D. RAY YOUNG, P.E.

PROFESSIONAL QUALIFICATIONS AND EXPERIENCE

| | |
|---|--|
| TITLE | Principal Engineer |
| EDUCATION | B. S. in Civil Engineering, University of Texas at Austin, 1970 M. S. in Environmental Engineering, University of Texas at Austin, 1972 |
| REGISTRATION & MEMBERSHIPS | Licensed Professional Engineer - Texas No. 37068 Life Member of American Society of Civil Engineers Life Member of Water Environment Federation TCEQ Licensed Class "C" Water Plant Operator TCEQ Licensed Class "B" Wastewater Treatment Plant Operator |
| PROFESSIONAL EXPERIENCE | Forty-nine years practice in the consulting engineering field in water supply and treatment, wastewater collection, lift station design, wastewater treatment plant design, on-site sewage facility (OSSF) design, and sludge disposal design and permitting. Twenty years' design-build experience in process equipment fabrication and in constructing water supply and wastewater treatment plants. Twenty years' experience managing and operating water supply and wastewater treatment plants. |
| PROJECT EXPERIENCE | <p>MONTGOMERY COUNTY ANIMAL SHELTER – prepared evaluation of existing pretreatment system using OSSF components and designed an expansion to 4,000 gpd to comply with adjacent water district requirements.</p> <p>KATY ISD AG BARN OSSF – Prepared design to expand existing OSSF to 5,000 gpd to handle animal washdown.</p> <p>GRIMES COUNTY WATER RECLAMATION – Prepared TLAP permit application and plant design for 68,000 gpd wastewater treatment system handling trucked-in wastewater (porta-can, septic tank, etc.) with spray irrigation disposal on site.</p> <p>MONTGOMERY COUNTY MUD 96 WATER PLANT – Designed groundwater plant for new community with 800 connections.</p> <p>CITY OF HOUSTON UPPER BRAYS WWTP – Providing process and mechanical design for improvements to an existing 18 MGD wastewater treatment plant.</p> <p>LONGWOOD VETERINARY CLINIC OSSF – Designed and permitted 1200 gpd rated OSSF system for veterinary clinic.</p> <p>HARRIS COUNTY ON-CALL SERVICES – Providing ongoing services for permitting and design of small water well and On-Site Sewage Facilities for Harris County parks and service centers.</p> <p>HUMBLE WWTP – Provided process design, plan review and specification assistance for 4.9 mgd WWTP design.</p> |

HARRIS COUNTY MUD NO. 238 WWTP – Designed expansion to increase capacity from 0.35 mgd plant to 0.825 mgd.

SPRING CREEK UD WWTP – Designed expansion to increase capacity from 0.45 mgd to 0.65 mgd.

NORTHWEST HARRIS COUNTY MUD NO. 5 – Designed expansion from 0.4 mgd capacity to 0.8 mgd capacity.

NORTHWEST HARRIS COUNTY MUD NO. 15 – Designed expansion from 0.3 mgd to 1.53 mgd capacity.

TOWN OF WOODLOCH – Designed expansion to water plant to serve 500 connections.

CHAMPION LAKE ESTATES – Designed 100 connection water plant and obtained Certificate of Convenience and Necessity.

LAKE POINTE ESTATES – Assisted in negotiating utilities from neighboring MUD and obtained Certificate of Convenience and Necessity.

ROYAL LAKE ESTATES – Designed water plant for 300 connections, 99,000 gpd wastewater treatment plant, and obtained Certificate of Convenience and Necessity.

HAMMOND MOUND UTILITIES, INC. – Designed 99,000 gpd wastewater treatment plant and obtained Certificate of Convenience and Necessity.

WESTERN PINES MHP – Designed 140 space expansion to existing park, expanded water plant to 400 connections and wastewater treatment plant to 150,000 gpd capacity.

ATASCOCITA VILLAGE MHP – Expanded wastewater treatment plant to 99,000 gpd.

RAYFORD ROAD MUD WWTP - Designed expansion to existing 0.65 mgd activated sludge plant to increase capacity to 0.95 mgd.

HCWC&ID 74 WWTP- Designed upgrading and expansion to existing 0.72 mgd WWTP to add tertiary clarifier and increase capacity to 0.85 mgd.

HCMUD 86 WWTP - Designed process upgrading and expansion to existing 0.30 mgd RBC WWTP to upgrade effluent quality and increase capacity to 0.65 mgd.

BCMUD 5 WWTP - Designed upgrading and expansion to an existing 0.7 mgd RBC WWTP to convert process and increase capacity to 0.95 mgd.

HCMUD 238 WWTP - Designed 0.325 mgd circular concrete activated sludge plant utilizing existing steel tankage for sludge digestion and VFD control of influent lift pumps to avoid constructing new wet well.

METRO CENTRAL WWTP - Provided ongoing wastewater treatment plant management and engineering services including dechlorination system design, biomonitoring management, industrial waste order implementation and management for 5 mgd wastewater treatment plant.

CITY OF BELLVILLE - Provided wastewater treatment management and engineering services including increasing plant capacity to 0.625 mgd.

CITY OF SEALY - Provided industrial waste management engineering services to the City of Sealy.

HCMUD 19 WTP - Designed the 1.2 mgd Newport Surface Water Treatment Plant providing treatment for water from Lake Houston.

HCWCID #116 - Designed dechlorination facilities for 1.3 mgd wastewater treatment plant.

CITY OF TOMBALL - Designed dechlorination facilities for 1.5 mgd wastewater treatment plant.

HCMUD #19 - Designed dechlorination facilities for 1.0 mgd wastewater treatment plant.

CITY OF HOUSTON - Prepared study evaluating wastewater collection system odor control methodologies. Designed abatement facilities and retested systems to verify control was attained.

HOUSTON WATER MASTER PLAN - Served as project manager for \$3.5 million study of the water system improvements needed in an 8 county area around the City of Houston through the year 2035.

CITY OF HOUSTON - Designed the 8 mgd first phase of Intercontinental Airport Regional Wastewater Treatment Plant which has an ultimate capacity of 64 mgd.

CITY OF JACINTO CITY - Designed expansion of wastewater treatment plant to 1.64 mgd using oxidation ditch process.

INTERCONTINENTAL MOTORS - Designed 6,000 gpd wastewater treatment system to handle industrial wastes from an automobile dealership.

VORELCO - Designed a wastewater sewer line extension from the City of Houston to alleviate a failed septic system.

CITY OF SEALY - Designed an expansion to existing activated sludge plant to total capacity of 1.0 mgd.

CITY OF LAPORTE - Designed a 2.5 mgd activated sludge plant using surface aerators.

NWHCMUD #9 WWTP - Designed a 1.5 mgd modular RBC wastewater treatment plant.

HCMUD #196 WWTP - Designed a 0.625 mgd circular, concentric activated sludge plant.

MATAGORDA WD & WS CORP. - Operations consulting to get wastewater treatment plant in compliance.

MCMUD #58 WWTP - Designed a 0.6 mgd activated sludge plant with vacuum assisted drying beds.

HCMUD #180 WWTP - Designed an expansion to existing WWTP to increase capacity to 0.8 mgd.

HCMUD #202 WWTP - Designed an 0.75 mgd modular, expandable activated sludge plant.

HCWCID #116 WWTP - Designed an expansion to an existing wastewater treatment plant to 1.3 mgd.

CITY OF MONT BELVIEU - Designed a 0.5 mgd oxidation ditch wastewater treatment plant.

CONROE I.S.D. - Designed sewage treatment systems for four schools including three oxidation ponds and a package plant.

KAAMA, SAUDI ARABIA - Prepared process design calculations for an RBC wastewater treatment plant.

THOUSAND TRAILS - Planned and designed utilities for recreational camping facility on Lake Conroe.

TEXAS SDH&PT - Prepared appraisal reports on value of sewage treatment systems being condemned for right-of-way.

CITY OF HOUSTON - Prepared plans for three water line extension and replacement projects.

CITY OF HOUSTON - Prepared preliminary engineering report for enlargement of District 47 wastewater treatment plant to 6 mgd.

CITY OF HOUSTON - Supervised preparation of drawings and specifications for improvements to the 80 ton per day North Side Sludge (Flash Drying) Plant.

PLAZA DEL ORO, LOUISVILLE, KENTUCKY - Supervised design of a 0.5 mgd advanced waste treatment plant for a planned development.

CITY OF HOUSTON - Supervised preparation of design of a 30 mgd Southwest Wastewater Treatment Plant on-site lift station.

CITY OF HOUSTON - Prepared report to the Texas Railroad Commission on costs of converting Houston's Sludge Dryers from natural gas usage to fuel oil.

GULF COAST WASTE DISPOSAL AUTHORITY - Supervised the design of a 4 ton per day Mobile Sludge Dewatering Facility.

CITY OF HOUSTON - Served as project manager and supervised preparation of the Design Memoranda and detailed design of the 112 ton per day 69th Street Sludge Disposal Plant.

CITY OF HOUSTON - Supervised design changes to 20 mgd Almeda-Sims Wastewater treatment Plant.

CITY OF HOUSTON - Supervised preliminary engineering for expansion of the Almeda-Sims Wastewater Treatment and Sludge Disposal Plant.

CITY OF GALVESTON - Prepared preliminary engineering report for enlargement of the Airport Wastewater Treatment Plant to 2.5 mgd.

CITY OF DALLAS - Prepared the design of a portion of an 11 mile long, 18 inch sludge force main from the Dallas Central Plant to the Dallas Southside Plant.

D. Ray Young P.E.
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CITY OF DALLAS - Designed the 150 mgd effluent pumping station for the Dallas WWTP Central Plant.

CITY OF MIDLAND - Prepared an Operations & Maintenance Manual for a 6 mgd wastewater treatment.

CITY OF SHREVEPORT, LA. - Designed the two barrel siphon across a levee, the inlet structure and all yard piping for a 24 mgd wastewater treatment plant.

CITY OF AUSTIN - Designed an inverted three barrel siphon, prepared all plant hydraulic calculations, designed the effluent filters, yard piping and assisted in design of other structures for the 18 mgd Walnut Creek Wastewater Treatment Plant.

TRINITY RIVER AUTHORITY - Prepared evaluation report for the 6 mgd Ten Mile Creek Wastewater Treatment Plant.

CITY OF AUSTIN - Assisted in preparation of a preliminary engineering report for the 18 mgd Walnut Creek Wastewater Treatment Plant.

BASTROP WATER CO. - Preparation of hydraulic calculations and water line sizing for rural water system for Bastrop County, Texas.

WEST CENTRAL TEXAS C.O.G. - Preparation of hydraulic calculations, sizing of water tanks and lines, layout and sizing of sewage collection systems for rural areas and small unsewered towns for a 14 county area in West Texas.

ATTACHMENT CEL-3

AFFIDAVIT OF CHARLES LOY

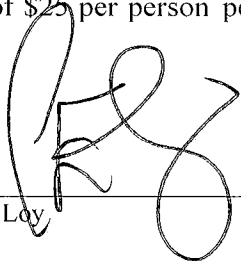
STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

AFFIDAVIT OF CHARLES LOY

Before me, the undersigned authority, on this date personally appeared Charles Loy known to me to be the person whose name is subscribed below, and being by me first duly sworn, stated upon oath as follows:

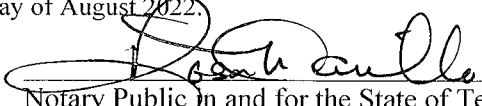
1. "My name is Charles Loy I am over 18years of age, of sound mind, and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge.
2. I am a principal in GDS and Associates, Inc. ("GDS") a firm engaged in rate and regulatory consulting services to public and investor-owned utilities, state regulatory Commissions and industry. I am a Certified Public Accountant have worked for utilities providing water, sewer and gas services in a managerial capacity. I have extensive experience preparing and presenting expert testimony before a number of regulatory agencies addressing revenue requirements, customer class cost allocations and rate design for water, sewer, gas and electric utilities.
3. I was retained by Timbercrest Partners LLC ("Timbercrest" or the "Company") to prepare and support the *Application of Timbercrest Partners LLC for Authority to Change Rates* in Docket No. 50197. This includes the accounting and ratemaking expertise required to complete and present the application and providing direct and rebuttal testimony if needed.
4. In Docket No. 50197, my services and the services of GDS were reasonable and necessary for the preparation, presentation and defense of Timbercrest's rate change request. To date, the services performed include the following: developing an Original Cost Study to support utility plant valuations presented in the application; analyzing the mobile home park's accounting records in order to identify direct and indirect costs associated with the utility; functionalizing the identified utility costs by water and sewer service; the development of separate revenue requirements for water and sewer service; developing a customer class cost of service study to determine separate revenue requirements for the residential and commercial classes for water and sewer, developing a reasonable rate design for each class under each service; assembling and populating the PUC required rate application and data requirements, developing the new proposed tariffs, assisting with the rate increase notice, consultation with the attorneys and clients on various matters; developing responses to seven sets of data requests; and attending meetings, telephone conferences, mediations with attorneys, clients and Staff as needed.
5. Depending on the course and resolution of Docket No. 50197, the services likely to be performed will also include responding to additional discovery, the preparation of Direct and Rebuttal testimony and the preparation for and participation in a hearing on the merits.
6. I have reviewed the billings submitted by GDS for expert and consultant services performed in Docket No. 50197, and I affirm that those billings accurately reflect the time spend and expenditures incurred by myself, and others at GDS, on Timbercrest Partners LLC behalf. The rate charged by each professional of GDS is the normal hourly billing rate charged by each professional for other matters, is comparable to the hourly rate charged by other professionals for similar services provided to other Texas Utilities and is the normal hourly billing rate charged by the professionals of GDS for services to non-regulated entities.

7. The charges and rates of GDS are reasonable and consistent with those billed by others for similar work, and the rates charged by GDS professionals that worked on this matter are comparable to rates charged by other professionals with the same level of expertise and experience and commensurate with the complexity of the issues in this proceeding. The calculation of the charges is correct and there was no duplication of services and no double billing of charges.
8. The hours spent to perform the tasks assigned to myself and to each GDS professional working on Docket No. 50197 were reasonable and necessary to complete the required tasks in a professional manner on a timely basis. The nature of work was appropriate given my professional and expert training and experience in utility rate making and regulatory proceedings.
9. The amount of expenses and fees charged by GDS in Docket No. 50197 are commensurate to the size and complexity of the issues addressed. In particular, in this unusually complex rate matter involving a utility embedded within a mobile home park.
10. No single professional of GDS billed in excess of 12 hours in a single day.
11. No professional of GDS has billed for charges that result from hotel or lodging
12. No portion of GDS fees or expenses is or will be from the use of a non-commercial aircraft or first-class air travel commercial aircraft or first-class air travel.
13. No portion of GDS fees or expenses is or will be for luxury items, such as limousine service, sporting events, alcoholic beverages, gourmet coffee, bottled water, hotel movies, satellite radio, or other entertainment.
14. No portion of GDS fees or expenses are in excess of \$25 per person per meal.



Charles Loy

SWORN AND SUBSCRIBED before me on this 31 day of August 2022.



Notary Public in and for the State of Texas

