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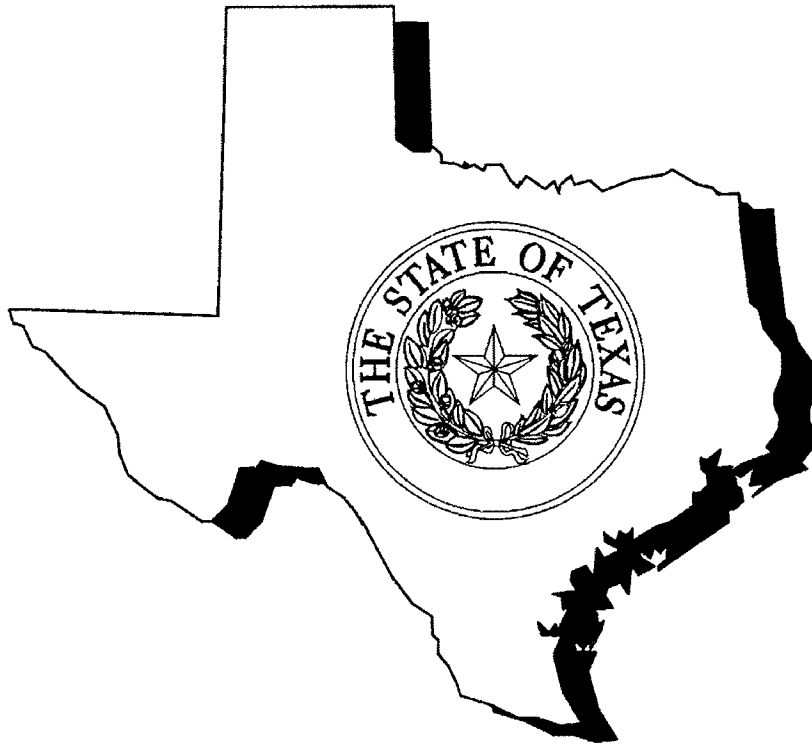
SOAH DOCKET NO. 473-20-3110.WS
PUC DOCKET NO. 50200



APPLICATION OF UNDINE TEXAS,
LLC AND UNDINE TEXAS
ENVIRONMENTAL, LLC FOR
AUTHORITY TO CHANGE RATES

§
§
§
§

BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE
HEARINGS



TESTIMONY OF KATHRYN EILAND

IN SUPPORT OF STIPULATION AND SETTLEMENT AGREEMENT

RATE REGULATION DIVISION

PUBLIC UTILITY COMMISSION OF TEXAS

AUGUST 13, 2020

000001

2079

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Attachments

Attachment KE 1 – Regulatory Resume
Attachment KE-2 – List of Previous Testimonies

I. STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Kathryn Eiland. My business address is 1701 N. Congress Avenue, Austin, Texas 78711-3326.

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

A. I am employed by the Public Utility Commission of Texas (Commission) as a Financial Analyst in the Rate Regulation Division.

Q. What are your principal responsibilities at the Commission?

A. I am responsible for reviewing formal complaints, certificate of convenience and necessity (CCN) applications for financial and managerial capability of the applicant, sale/transfer/merger applications, requests for authority to change rates, and stock transfers. I am also responsible for preparing testimony and exhibits for contested case matters involving investor-owned water and sewer retail public utilities and assisting with settlement negotiations.

Q. Please state your educational background and professional experience.

A. I have provided a summary of my educational background and professional experience in Attachment KE-1.

Q. Have you previously filed testimony before the Commission or the State Office of Administrative Hearings?

A. Yes. I have provided a summary of my filed testimony in Attachment KE-2.

II. PURPOSE AND SCOPE OF TESTIMONY

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

A. The purpose of my testimony is to support the Unanimous Stipulation and Settlement Agreement (Stipulation) reached in this proceeding by Undine Texas, LLC (UT) and Undine

Texas Environmental, LLC (UTE) (together Undine), Commission Staff, the Office of Public Utility Counsel (OPUC), Britney May, Beechwood Homeowners Association, Brandon Smith, Brazoria Cold River Ranch Association, Inc., Country Vista Homeowners Committee, Demi-John Community Residents, Town of Dennis, Eurice Meeker, Gary Blanchat, Marie Butler, Mayfair South Homeowners Association, Al Richardson, Riverside Ranch Homeowners Association, The Reserve at SugarTree Property Owners Association, and Tejas Lakes Homeowners Association.

Q. What is the basis for your recommendation?

A. My recommendation is based on a review of Undine's rate filing package, accompanying workpapers, direct testimony, rebuttal testimony, and its responses to requests for information as well as the direct testimonies filed by witnesses for OPUC and Staff and the direct testimonies or statements of position filed by the ratepayer intervenors. I also reviewed supporting documentation for rate-case expenses provided by Undine.

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

A. Texas Water Code (TWC) Chapter 13 and Texas Administrative Code (TAC) §§ 24.41, 24.43, and 24.44 include the standards Staff used to evaluate the overall reasonableness of the Stipulation.

III. SUMMARY OF THE STIPULATION

Q. What are the primary terms of the Stipulation?

A. The Stipulation includes the following terms:

- **Retail Water Rates.** The agreed water base rates are reflected in Exhibit B to the Stipulation, UT's proposed tariff. The water rate increases will be phased in over three years. Each phase will increase rates by one third of the agreed overall increase in

water revenue requirement. The agreed water rates are based on the consolidated rate design methodology and the adjusted billing determinants for the former Chuck Bell utility presented in the Direct Testimony of OPUC witness Chris Ekrut.

- **Retail Sewer Rates.** The agreed sewer base rates are reflected in Exhibit C to the Stipulation, UTE's proposed tariff. The sewer rate increases will be phased in over three years such that each increase will not be effective less than 12 months after the preceding increase. Each of the three rate increases will increase rates by one third of the agreed overall sewer revenue requirement increase. The sewer rates are based on the consolidated rate design methodology presented in the Direct Testimony of OPUC witness Chris Ekrut.

- **Water Cost of Service.** The settled annual revenue requirement for certificate of convenience and necessity (CCN) number 13260 is \$5,217,338.

- **Sewer Cost of Service.** The aggregate annual revenue requirement for sewer CCN numbers 20816, 20832, 21019, 21026, and 21106 is \$2,793,120.

- **Tax Change.** The revenue requirements for water and sewer reflect the change in Undine's federal income tax rate from 34% to 21% as a result of the Federal Tax Cuts and Jobs Act.

- **Overall Rate of Return.** Undine's overall rate of return is 6.7%.

- **Water Rate Base.** UT's invested capital (rate base) as of September 30, 2019, as shown in Exhibit D to the Stipulation, for CCN number 13260 includes \$8,127,750 of net plant in service, total accumulated deferred federal income tax (ADFIT) of (\$143,569), and total excess ADFIT of \$74,269.

- **Sewer Rate Base.** UTE's invested capital (rate base) as of September 30, 2019, as shown in Exhibit E to the Stipulation for CCN numbers 20816, 20832, 21019, 21026,

and 21106 includes \$9,650,452 of net plant in service, total ADFIT of (\$650,494), and total excess ADFIT of (\$161,051).

- **Miscellaneous Tariff Charges.** UT water tap fees will change to \$1,200, and UTE's sewer tap fees will change to \$865.
- **Future Rate Case.** Undine will not file for an increase in water or sewer base rates with an effective date that is less than 12 months after the effective date for the last phase of any phase-in identified in Exhibits B and C to the Stipulation. This agreement does not apply to systems acquired by UT or UTE after September 30, 2019.
- **Rate-Case Expenses.** Rate case expenses of \$329,467.16 incurred in connection with this docket will be recovered over 36 months through a surcharge allocated between water and sewer based on the number of customers.

| | <u>Customers</u> | <u>Percentage</u> | <u>Rate-Case Expenses</u> |
|--------------|------------------|--------------------|---------------------------|
| Water | 6,058.0 | .741130414 | \$ 244,178.13 |
| Sewer | 2,116.0 | .258869586 | \$ 85,289.03 |
| Total | 8,174.0 | 1.000000000 | \$ 329,467.16 |

UT will collect a water surcharge of \$1.12 per customer per month. UT may collect the water surcharge for 36 months or until the full amount of \$244,178.13 is collected, whichever occurs first. UTE will collect a sewer surcharge of \$1.12 per customer per month. UTE may collect the sewer surcharge for 36 months or until the full amount of \$85,289.03 is collected, whichever occurs first. Undine may not seek to recover any additional rate-case expenses incurred in connection with this docket in a future proceeding.

- **Effective Date.** The settled rates shown in Exhibits B and C to the Stipulation shall be effective for usage beginning on August 1, 2020, or the date of the Commission's

final order setting the rates in this docket, whichever is earlier. To achieve this objective, the parties agree to request the presiding Administrative Law Judges to order that the phase one rates shall be effective on an interim basis for usage on and after August 1, 2020, subject to refund or surcharge if the Commission ultimately establishes different rates. The parties further agree to expeditiously coordinate the return of the case to the Commission for consideration of its final order.

- **Greensand Filter System.** The stipulation also includes an agreement that UT will install a Greensand filter system to address the Beechwood Water System's water quality issues. UT will not include any costs associated with the initial purchase and installation of the Greensand filter system in future base rates. Undine will be allowed to seek recovery of reasonable and necessary costs related to the operations, chemicals, and maintenance of the Greensand filter system in future rate base rates.

Q. Are the terms of the Stipulation fair and reasonable, and in the public interest?

A. Yes. In Staff's opinion, the implementation of the terms in the Stipulation will result in a fair and reasonable outcome for the parties. Based upon Staff's review, the water and sewer rates agreed to in the Stipulation generate revenue requirements that are within a reasonable range of the likely litigated outcomes in this docket. It is also Staff's opinion that a fully litigated docket could potentially produce an outcome, including rate-case expenses, that would be less favorable to the parties. Furthermore, the stipulation includes a potential resolution to a water quality issue for the Beechwood water system. This issue may not have been addressed if the case was fully litigated.

1 **IV. RECOMMENDATION**

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

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

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

6 A. Yes.

Attachment KE – 1
Kathryn Eiland

Public Utility Commission of Texas
1701 North Congress Avenue
Austin, TX 78711-3326

REGULATORY EXPERIENCE:

Financial Analyst, Financial Review Section

Public Utility Commission of Texas, Rate Regulation Division

Employed: February 1, 2018 to present.

Duties: Review formal complaints, certificate of convenience and necessity (CCN) applications and amendments, sale/transfer/merger applications, requests for authority to change rates, stock transfers, and financial and managerial reviews. Prepare testimony and exhibits for contested case matters involving investor-owned water and sewer retail public utilities and assisting with settlement negotiations.

Investigator IV/Team Lead, Complaints Section

Public Utility Commission of Texas, Customer Protection Division (CPD)

Employed: March 2016 – January 2018

Duties: Investigated and responded complex complaints and communicated findings to customers and service providers, reviewed and resolved complaint appeals submitted by customers or service providers, attended meetings with service provider representatives and Commission staff, represented agency at external functions and trainings, contributed to Legislative requests and inquiries, handled walk-in complaints and inquiries, identified, researched and reviewed trends within the industry and provided status reports to management, assisted Oversight and Enforcement with possible enforcement actions by providing information on informal complaints, acted as a team lead for Investigators in the absence of management, reviewed the investigative process and made improvement recommendations as appropriate, trained and mentored CPD staff, served on backup team for agency receptionist.

Investigator I, III, Complaints Section

Public Utility Commission of Texas, Customer Protection Division

Employed: July 2002 – March 2016

Duties: reviewed and processed customer complaints, inquiries and opinions, analyzed complaint issues and service provider responses, determined proper resolution of complaints and communicated findings to customers and service providers, handled customer and utility concerns from government officials and senior agency staff, participated in agency workshops and special projects with other agency divisions, coordinated and maintained record keeping system, served on backup team for agency receptionist.

EDUCATION:

October 2019 NARUC Eastern Rate School

June 2019 Utility Finance and Accounting for Financial Professionals Seminar

May 1994 Jackson State University, Jackson, MS

Bachelor of Business Administration in Business Administration

Attachment KE-2 - List of Testimony

| Docket | Case |
|---------------------|---|
| PUC 48572 | |
| SOAH 473-19-0420.WS | Complaint of Ashutosh Sharma Against the Palmer at Las Colinas Apartment Homes |
| PUC 48571 | |
| SOAH 473-19-2460 | Application of the City of San Marcos to Amend a Sewer Certificate of Convenience and Necessity in Hays, Guadalupe, and Caldwell Counties |
| PUC 49887 | |
| SOAH 473-20-1116.WS | Application of Kendall West Utility, LLC for Authority to Change Rates |
| PUC 49261 | |
| SOAH 473-20-1120.WS | Complaint of Michael E. Moore Against C Willow Water Company |
| PUC 50200 | |
| SOAH 473-20-1120.WS | Application of Undine Texas, LLC and Undine Texas Environmental, LLC for Authority to Change Rates |