

Fair and Reasonable Rates*

The rate case process is designed to protect the interests of customers while at the same time allowing water utilities the opportunity to recover reasonable operating expenses and to earn a fair return on the capital invested.

*** From a White Paper by the American Waterworks Association**

Rising Water Rates in America

Reference: February 2012 CNN Money Report

- A study by the American Water Works Association found that repairing and expanding the U.S. drinking water system between 2011 and 2035 will cost at least \$1 trillion, an amount that will be paid by increasing household water bills.
- Many consumers could see their **water bills double or even triple**, as the country attempts to overhaul its aging water systems.

http://money.cnn.com/2012/02/27/pf/water_bills/index.htm?source=cnn_bin

“Pass Through” Fees

Subsidence and Conservation Districts

- The use of **well water in Texas is causing the ground to subside**, or SINK, in some areas.
- In 1985 Texas began requiring the use of **Groundwater Conservation Districts to reduce the use of groundwater**. To reach required goals, Subsidence or Conservation Districts are established, placing **fees** on use of ground water. These fees are charged to utility companies who pass them directly on to their customers, **based on customer usage**.

Conservation District Pass Through Fees

Castlewood

City of Houston

\$1.04 / 1000 gallons

Cypress Bend

N Harris County RWA

\$5.47 / 1000 gallons (\$3.85)

Current Suburban Rates Approved 2016

Base Fee **\$23.00**

Consumption **2.15** (up to 20,000 gallons)

Average Suburban usage is ~ 3600 gallons

Base fee of \$23.00 + (3.6 x \$2.15 = \$7.74) = \$30.74 AVERAGE BILL

PROPOSED RATE INCREASE

Current Average Bill	\$30.74
Proposed Increase	<u>~ \$42.00</u>
	\$72.74

We will propose to the PUC a statewide rate that applies to all Undine customers that have “similar costs”.



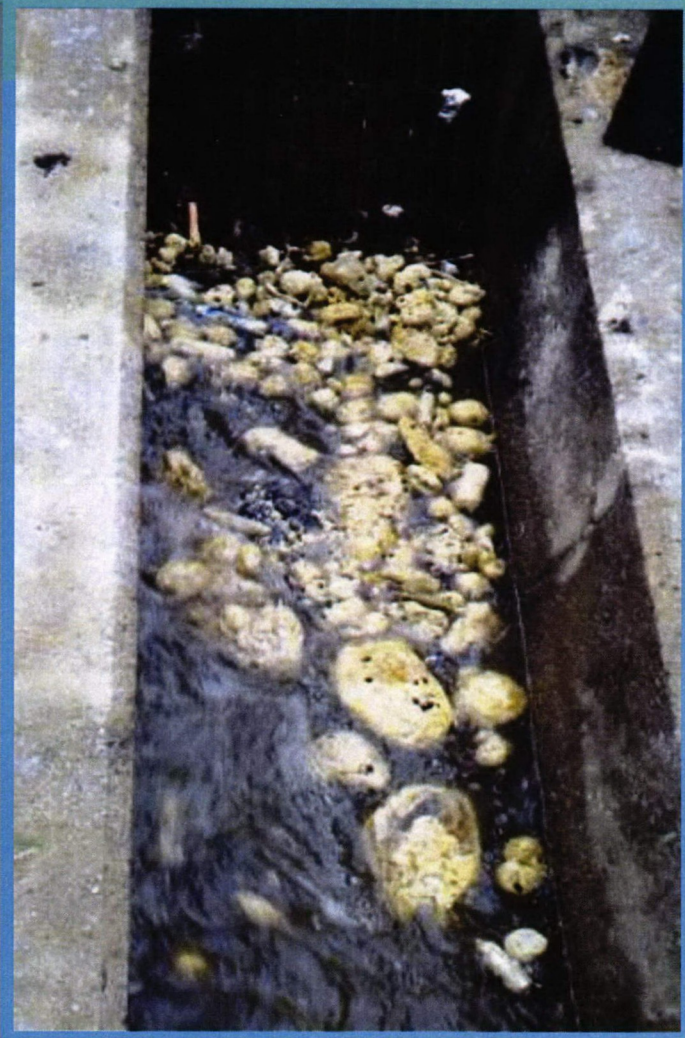
UNDINE TEXAS, LLC
*Regulated Water
and Wastewater Utilities*

Wastewater – What you need to know

What is the environmental problem with “FOG” (FATS, OIL, GREASE) in our sewers?

EPA’s report to congress on sewer overflows identifies grease from “restaurants, homes and industrial sources” as the most common cause of blockages (47%). Grease is problematic because it solidifies, reduces system capacity and blocks flow.*

***EPA’s Office of Water -2007**



Grease solidifies and causes sewer spills



COMMUNICATIONS

“IRIS” Alert Notification System –

Coming Soon. Look for our letter regarding how to sign up.

“Service Agreement” –

A TCEQ requirement. Protects the water supply from outside contamination.

“SEE SOMETHING SAY SOMETHING”

Customers are our first Eyes and Ears for a number of issues:

- **Leaks** – the sooner it is reported, the faster we can begin repair
- **Vandalism or theft** – remember, ALL costs have an impact on your rates

IMPORTANT NUMBERS

- **Undine Customer Service**
Suburban 832-708-3668
- **Public Utility Commission of Texas**
512-936-7000 888-782-8477
- **Texas Commission on Environmental Quality**
Austin 512-239-1000 Houston 713-767-3500

**Melcher Attachment C
is Confidential and being
provided under seal.**

DOCKET NO. 50200

APPLICATION OF UNDINE TEXAS	§	BEFORE THE
LLC FOR AUTHORITY TO CHANGE	§	PUBLIC UTILITY COMMISSION
RATES	§	OF TEXAS

DIRECT TESTIMONY
OF
DONALD J. CLAYTON

ON BEHALF OF
UNDINE TEXAS, LLC

DECEMBER 20, 2019

**DIRECT TESTIMONY OF
DONALD J. CLAYTON**

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ATTACHMENTS:

Attachment A	Resume
Attachment B	History of Testimony
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II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to support the Company’s revenue requirement and to sponsor the minimum filing requirements (MFR) schedules that have been filed as a part of this case.

Q. DO YOU SPONSOR ANY SCHEDULES IN THE APPLICATION?

A. Yes. I sponsor all the schedules included in the Application.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. I testify to the development of the MFRs, the known and measurable changes that have been made to the revenue requirement, the development of the rate base, how certain costs were allocated between water and sewer operations, the basis for the rate design, and the proposed tariff changes.

III. OVERVIEW OF THE APPLICATION

Q. HAS UNDINE PROVIDED NOTICE OF THIS APPLICATION?

A. Yes. Notice has been provided in accordance with Commission rules.

Q. WHAT IS YOUR UNDERSTANDING OF UNDINE’S BUSINESS PHILOSOPHY WITH RESPECT TO PROVIDING WATER AND SEWER SERVICE TO CUSTOMERS IN TEXAS?

A. It is my understanding that Undine’s business philosophy is to grow through acquisition with the goal of reaching a size that will enable the Company to provide high quality service at a reasonable cost. It is difficult, if not impossible, for some smaller companies to have available the expertise to run the systems and/or the ability

1 to raise capital to make necessary improvements to the systems. Undine personnel
2 have significant expertise in managing and operating water and sewer utilities and
3 have access to capital which ensures that quality service can be provided to its
4 customers. In short, Undine is a professionally managed water and sewer utility
5 company that has customer service as its highest priority.

6 **Q. WHY ARE RATE INCREASES NEEDED AT THIS TIME?**

7 A. As explained in more detail by Mr. Wallace, the Company has spent more than
8 \$6 million on capital improvements since it began acquiring systems and has
9 experienced increases in operating costs. These cost increases have not been offset
10 by revenue related to customer growth and, as such, a rate increase is needed to
11 provide the Company an opportunity to earn a reasonable return on its investment.

12 **Q. WHAT IS YOUR ROLE IN THIS RATE CASE?**

13 A. I was hired by Undine to prepare the MFRs and to provide expert testimony to
14 support the Company's proposed revenue requirements and tariff changes in this case.

15 **Q. PLEASE DESCRIBE THE WORK YOU DID IN THE PREPARATION OF**
16 **THE RATE APPLICATION.**

17 A. To complete my portion of the rate application, I reviewed the instructions for
18 preparing a Class B Rate/Tariff Change Application, assembled the relevant data as
19 supplied by the Company, completed the MFR schedules and supporting work papers
20 as required, and reviewed the results with Company personnel. The first step in the
21 process was to assemble the historical financial records including detailed income
22 statements, balance sheets, and property records for each of the systems acquired by
23 Undine. The next step was to combine the records into water and sewer categories.

1 Following the development of combined historical financial information, the billing
2 determinants, including connections and usage by meter size and/or flat rate service
3 connection, were developed.

4 Next, the accumulated depreciation and depreciation expense were calculated
5 for each plant item net of contributions in aid of construction (CIAC) using the daily
6 method specified by the Commission. Accumulated deferred federal income taxes
7 (ADFIT) were also calculated using the 34% Federal income tax rate through
8 December 31, 2017, and 21% for 2018 and 2019.

9 Other rate base elements such as working capital and prepayments were then
10 developed. The total rate base for the Company was then developed. Next, the cost
11 of capital and capital structure were developed based on the Company's actual
12 debt-to-equity ratio, actual debt interest costs, and a 9.75% return on equity (ROE).

13 Known and measurable changes to the historical test year data were then
14 made, as follows: (1) to annualize the revenue requirements for systems acquired
15 after September 30, 2018; (2) to add corporate overhead to the revenue requirement;
16 (3) to remove pass-through expenses from the revenue requirement; (4) to remove
17 2019 write-offs from the bad debts expense; (5) to add the cost of the main office rent
18 to the revenue requirement; and (6) to add depreciation expense, taxes other than
19 income taxes, and income taxes related to the adjusted test year data to the revenue
20 requirement. After the revenue requirements were determined, the proposed rate and
21 notice schedules were prepared. The final step was to determine the surcharge related
22 to the rate case expenses in this case.

1 **A. Revenue Requirements**

2 **Q. HOW WERE THE REVENUE REQUIREMENTS FOR WATER AND**
3 **SEWER DETERMINED?**

4 A. The revenue requirements for water and sewer were developed by assembling the
5 historic cost data for each operating system for the test year ended September 30,
6 2019, and adding known and measurable changes to the historic data including a
7 return on rate base.

8 **Q. WHAT IS THE PURPOSE OF INCLUDING KNOWN AND MEASUREABLE**
9 **CHANGES IN THE REVENUE REQUIREMENT?**

10 A. The purpose of including known and measurable changes in the Company’s revenue
11 requirement is to adjust the historical data to be more reflective of the costs that are
12 expected to be experienced once the rates are put into effect.

13 **Q. WHAT ARE THE LARGEST OF THE KNOWN AND MEASURABLE**
14 **CHANGES YOU MADE TO THE HISTORIC TEST YEAR DATA?**

15 A. The single largest change to the historical data was to add corporate overhead from
16 Undine Operating, LLC into the revenue requirement. Other significant changes
17 include adjustments to annualize costs related to systems acquired within the test
18 year, depreciation expense related to plant in service less CIAC included in the rate
19 base, taxes other than income taxes related to the adjusted test year data, and Federal
20 income taxes based on the revenue and resulting taxable income at proposed rates.

1 **Q. HOW DID YOU DEVELOP THE AMOUNT OF CORPORATE OVERHEAD**
2 **TO BE INCLUDED IN THE REVENUE REQUIREMENT?**

3 A. The revenue requirement related to corporate overhead was developed by
4 summarizing the total corporate overhead cost, removing costs related to
5 development and other non-utility functions, and then allocating the remaining
6 overhead between water and sewer operations based on equivalent residential
7 customers (ERCs). The allocated amounts were then added to the balances in
8 Account 675 for water and Account 775 for sewer.

9 **Q. HOW DID YOU DEVELOP THE EXPENSES FOR THE SYSTEMS**
10 **ACQUIRED DURING THE TEST YEAR?**

11 A. The expenses for the systems acquired during the test year were annualized by
12 removing the actual expenses from the books and records and substituting the 2020
13 annual budget amounts for these systems, using the actual historical data as a
14 beginning basis. This is a reasonable approach because a full year of historic
15 operating cost data is not available for these systems.

16 **Q. WHAT IS THE BASIS FOR THE DEPRECIATION EXPENSE INCLUDED IN**
17 **THE REVENUE REQUIREMENT?**

18 A. The depreciation expense included in the revenue requirement is based on the original
19 cost of each item of plant net of CIAC as of the end of the test year, and service lives
20 consistent with Commission guidelines for the various types of property included in
21 plant in service. The original cost of acquired plant was taken directly from the
22 records Undine received from the previous owners of each acquired water and/or
23 sewer system. The original cost of plant added subsequent to acquisition of each

1 system was taken from the original invoices, the capitalized portion of salaries and
2 contract costs, and AFUDC if applicable.

3 **Q. IS THE DEPRECIATION EXPENSE YOU HAVE INCLUDED IN THE**
4 **REVENUE REQUIREMENT DIFFERENT FROM THE DEPRECIATION**
5 **EXPENSE RECORDED ON THE COMPANY'S BOOKS? PLEASE**
6 **EXPLAIN.**

7 A. Yes. The depreciation expense I have included in the revenue requirements is
8 different from the depreciation expense recorded on the Company's books because
9 the books are based on generally accepted accounting principles (GAAP), which
10 require that acquired property be recorded at fair value at the time of purchase and
11 then depreciated over the remaining life of the property. Further, the Company uses
12 monthly depreciation. For regulatory purposes the Commission requires that the
13 gross original cost of the property less CIAC be used as the basis for depreciation
14 expense.

15 **Q. HOW WERE TAXES OTHER THAN INCOME TAXES ADJUSTED TO BE**
16 **INCLUDED IN THE REVENUE REQUIREMENTS?**

17 A. Revenue-related taxes other than income taxes were based on factors developed from
18 the historic data. Property-related taxes were based on historic factors using the ratio
19 of property taxes experienced during the test year divided by the gross plant balance
20 at the beginning of the test year. This rate was then applied to the plant additions
21 during the test year to develop the projected amount of property taxes.

1 **Q. HOW WERE FEDERAL INCOME TAXES REFLECTED IN THE TEST**
2 **YEAR?**

3 A. Income taxes were calculated based on a 21% Federal income tax rate as applied to
4 the return on equity requested in this case.

5 **B. Rate Base**

6 **Q. HOW WAS RATE BASE DEVELOPED IN THIS CASE?**

7 A. The rate base in this case was developed by adding the original cost for each item of
8 plant in service at the end of the test year, the 13-month average of material and
9 supplies inventories and prepaid expenses, cash working capital based on 1/12 of test
10 year O&M expenses, and post-test-year additions in service at the time of the filing,
11 and then subtracting accumulated depreciation at the end of the test year based on
12 daily depreciation, CIAC, customer deposits, and ADFIT.

13 **Q. DID THE COMPANY COMPLETE A BRINGDOWN OF THE ORIGINAL**
14 **COST FROM THE MOST RECENT RATE CASES APPROVED BY THE**
15 **COMMISSION OR THE TEXAS COMMISSION ON ENVIRONMENTAL**
16 **QUALITY (TCEQ)?**

17 A. No. The Company made a concerted effort to obtain copies of the prior rate case
18 filings from the previous owners, the Commission and the TCEQ, but were
19 unsuccessful in obtaining the information. Also, the Company was unsuccessful in
20 obtaining invoices from the prior owners to support a bringdown of the original cost.
21 As such, the Company relied upon summaries from the prior owners of the original
22 cost and in-service dates for the acquired property at the time of acquisition. Original
23 cost additions made since acquisition are fully documented.

1 **Q. HOW IS ACCUMULATED DAILY DEPRECIATION IN THE RATE BASE**
2 **DETERMINED?**

3 A. Accumulated depreciation is calculated based on the number of days each plant item
4 has been in service as a percentage of the number of days in the average service life
5 estimated for each plant item up to a maximum of 100%, multiplied by the original
6 cost (net of CIAC) for each plant item.

7 **Q. HOW WAS THE ACCUMULATED DEFERRED FEDERAL INCOME TAX**
8 **(ADFIT) DETERMINED?**

9 A. The ADFIT was determined by taking the difference between book and tax
10 depreciation and multiplying by the tax rate effective at the time of the addition. For
11 plant added through December 2017, a 34% tax rate was used. For plant added in
12 2018 and 2019 a 21% tax rate was used. The total ADFIT was recalculated at a 21%
13 rate for all additions. The difference between that amount and the total on the books
14 was designated as protected excess deferred taxes.

15 **C. Cost of Capital and Capital Structure**

16 **Q. WHAT CAPITAL STRUCTURE DID YOU USE IN DEVELOPING THE**
17 **RETURN ON RATE BASE?**

18 A. I used the Company's actual capital structure, which consists of 22.65% debt and
19 77.35 % equity based on the Company's balance sheet as of September 30, 2019.

1 **Q. SHOULD THE COMPANY HAVE PROPOSED A HYPOTHETICAL**
2 **CAPITAL STRUCTURE THAT REFLECTS A LOWER EQUITY**
3 **PERCENTAGE?**

4 A. No. It is appropriate to use the actual capital structure because the Company has not
5 borrowed from conventional sources such as banks and/or the bond market.
6 Although the Company does have long-term debt, this is the result of acquisition
7 agreements with previous owners of the systems, and Undine has a limited ability to
8 control the amount of this type of debt that can be incurred.

9 **Q. HOW WAS THE COST OF DEBT DETERMINED?**

10 A. The cost of debt is based on the Company's actual debt issues.

11 **Q. HOW WAS THE 9.75% COST OF EQUITY DETERMINED?**

12 A. The 9.75% cost of equity is based on experience for similar small water and sewer
13 utilities in other jurisdictions and the fact that Undine is a small company, which is
14 far more risky than companies with larger balance sheets.

15 **IV. COST ALLOCATION**

16 **Q. HOW WERE COSTS ALLOCATED BETWEEN WATER AND SEWER**
17 **SERVICE?**

18 A. In most cases, the costs were directly assigned to water and sewer. In those cases
19 where costs were applicable to both water and sewer service they were allocated
20 based on meter equivalents or ERCs. This method ensures that each customer
21 receives a fair cost allocation based on their demands on the systems and their
22 relationship to other customers. That is, larger customers receive a higher cost
23 allocation than smaller customers.

1 **Q. HOW WAS THE REVENUE REQUIREMENT ALLOCATED BETWEEN**
2 **FIXED AND VARIABLE COST CATEGORIES?**

3 A. The water and sewer revenue requirements were allocated to fixed and variable cost
4 categories based on whether the costs vary with usage. Some cost categories such as
5 purchased water and sewer treatment, chemicals, sludge removal, and electricity were
6 directly assigned to the variable cost category. Materials and supplies and contract
7 work were allocated to fixed and variable based on estimates of what portions of the
8 costs vary with usage and what portions do not. Other costs such as insurance,
9 depreciation, taxes other than income taxes, and income taxes were directly assigned
10 to the fixed cost category. The remaining operation and maintenance (O&M) costs
11 such as bad debt expense and office rents were allocated between fixed and variable
12 based on the total of the other O&M costs.

13 **V. RATES AND RATE DESIGN.**

14 **Q. WHAT ARE THE BASES FOR THE PROPOSED TARIFFS IN THIS CASE?**

15 A. In this case the Company is proposing a single tariff for water and a single tariff for
16 sewer, to replace the multiple tariffs currently in place. Each tariff is based on the
17 identified revenue requirements for water and sewer. The sewer tariff employs a flat
18 rate structure. The water tariff is based on a multi-tiered structure with a base rate
19 according to meter size and four usage tiers. The water usage tiers are 0 – 6,000
20 gallons, 6,001 – 15,000 gallons, 15,001 to 25,000 gallons, and over 25,000 gallons.

1 **Q. WHY IS IT DESIRABLE TO REPLACE THE EXISTING MULTIPLE**
2 **TARIFFS WITH SINGLE TARIFFS FOR WATER AND SEWER SERVICE?**

3 A. A single tariff for water and a single tariff for sewer are desirable to simplify tariff
4 administration and to spread the costs of providing service over a larger customer
5 base. When a multiple tariff approach is used, the impact of capital improvements
6 and other cost increases on any single system can result in significant rate shock at
7 any given time because there are fewer customers over which to spread the costs. By
8 implementing single tariffs for water and sewer the inevitable cost increases that will
9 occur throughout the systems may be spread over more customers and lessen the
10 impact on any one group of customers at any given time.

11 The consolidation of the many water and sewer tariffs into system-wide tariffs
12 is also appropriate because the systems are substantially similar to each other in terms
13 of facilities, quality of service, and cost of service. Mr. Wallace, Mr. Thomas, and
14 Mr. Melcher address the similarity of the facilities and the quality of service. My
15 work in developing the MFR revealed that the water systems and the sewer systems
16 are very similar, respectively, in their costs of service. This is illustrated in Schedule
17 I-1, and the associated workpapers.

18 **Q. WHY IS IT APPROPRIATE TO USE A FLAT RATE STRUCTURE FOR**
19 **SEWER CUSTOMERS?**

20 A. A flat rate structure based on ERCs for Undine's sewer customers is appropriate
21 because sewer usage is only loosely tied to water usage. For those customers who
22 receive only sewer service from Undine, there is a cost associated with acquiring
23 water meter readings for use in billing sewer customers. Water for irrigation, washing

1 cars, swimming pools, and other external uses is not returned to the sewer system.
2 Undine only has two systems where Undine provides both water and sewer service.
3 The proposed flat rate structure based on ERCs is less costly to administer and does
4 not unfairly charge any customer group.

5 **Q. WHY ARE YOU PROPOSING A MULTI-TIER INCLINING BLOCK RATE**
6 **STRUCTURE FOR UNDINE'S WATER CUSTOMERS?**

7 A. The multi-tier inclining block water rate structure is proposed to keep costs down for
8 smaller customers and to encourage conservation for all customers. Undine has many
9 smaller customers; the proposed rate structure will keep rates for these customers
10 lower than they would be otherwise. Water conservation is an important issue for
11 Texas and the proposed rate structure encourages conservation because the rates for
12 large users are substantially higher than the lower block rates.

13 **Q. HOW WAS THE TARIFF FOR MISCELLANEOUS REVENUE**
14 **DEVELOPED?**

15 A. The Company is proposing revisions to its miscellaneous fees as shown in
16 Attachment C to this testimony. The Company-requested increase for miscellaneous
17 fees in this proceeding is based on Company estimates of the costs to provide
18 miscellaneous services, except for the reconnect fee after non-payment of bill that is
19 capped at \$25.

1 **Q. PLEASE IDENTIFY THE TANGIBL GROUP INC. CHARGES AND THE**
2 **BASIS FOR THOSE CHARGES.**

3 A. As stated previously, Tangibl Group Inc. was contracted to prepare the MFRs and
4 supporting work-papers related to this filing for a fixed fee of \$55,000. In preparing
5 the schedules, I spent 240 hours preparing the MFRs supporting work papers and
6 direct testimony. My normal billing rate is \$250 per hour. If I had charged my full
7 billing rate for the actual hours spent, I would have billed Undine \$60,000. The
8 actual invoices are only 91.7 % of this amount. Further, Undine took advantage of
9 the 1% discount Tangibl offered for paying in a timely manner.

10 **Q. ON WHAT BASIS ARE RATE CASE EXPENSES REVIEWED?**

11 A. Rate case expenses are reviewed under the criteria established in 16 Tex. Admin.
12 Code § 24.44.

13 **Q. WHAT CRITERIA MUST BE MET UNDER THE RULE?**

14 A. The following criteria are set out in the rule:

- 15 • Whether the fees paid to, tasks performed by, or time spent on a task by an
16 attorney or other professional were extreme or excessive;
- 17 • Whether the expenses incurred for lodging, meals and beverages,
18 transportation, or other services or materials were extreme or excessive;
- 19 • Whether there was duplication of services or testimony;
- 20 • Whether the utility's proposal on an issue in the rate case had no reasonable
21 basis in law, policy, or fact and was not warranted by any reasonable
22 argument for the extension, modification, or reversal of commission
23 precedent;
- 24 • Whether rate-case expenses as a whole were disproportionate, excessive, or
25 unwarranted in relation to the nature and scope of the rate case addressed by
26 the evidence pursuant to subsection (b)(5) of this section; or

1 • Whether the utility or municipality failed to comply with the requirements for
2 providing sufficient information pursuant to subsection (b) of this section.

3 **Q. IN LIGHT OF THE FIRST CRITERION SET OUT IN YOUR PREVIOUS**
4 **ANSWER, ARE YOUR BILLING RATE AND THE TIME SPENT ON THE**
5 **TASKS IN THIS CASE REASONABLE?**

6 A. Yes. My billing rate is reasonable. It is my normal billing rate for services provided
7 to similar clients. The rate is in the range of rates charged by other consultants with
8 similar experience, and is reasonable for a consultant providing these types of
9 services before utility regulatory agencies in Texas. The hourly rate is especially
10 reasonable given that I have more than 40 years of utility rate regulatory experience.

11 **Q. IN LIGHT OF THE SECOND CRITERION, DO TANGIBL'S EXPENSES**
12 **INCLUDE ANY TYPE OF IDENTIFIED CHARGES OR CHARGES THE**
13 **COMMISSION HAS EXCLUDED IN THE PAST?**

14 A. No. Tangibl's charges are entirely for professional fees. There were no other
15 expenses included on our invoices.

16 **Q. IN LIGHT OF THE THIRD CRITERION, WAS THERE ANY**
17 **DUPLICATION OF SERVICES OR TESTIMONY?**

18 A. No.

19 **Q. IN LIGHT OF THE FOURTH CRITERION, DID THE ISSUES YOU RAISED**
20 **HAVE A REASONABLE BASIS IN LAW, POLICY, OR FACT?**

21 A. Yes. Undine's proposals are reasonable and consistent with the requirements of the
22 Commission's rule.

1 **Q. IN LIGHT OF THE FIFTH CRITERION, WHAT IS YOUR CONCLUSION**
2 **REGARDING TANGIBL'S ACTUAL CHARGES?**

3 A. In my opinion, my fees are reasonable and necessary and are not disproportionate,
4 excessive, or unwarranted in relation to the nature and scope of the filing.
5 Furthermore, to the best of my knowledge, I have fully complied with the information
6 requirements set out in the sixth criterion.

7 **VII. CONCLUSION**

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

9 A. Yes, it does.



Tangibl Group, Inc.
201 King of Prussia Road, Suite 650
Radnor, PA 19087

DONALD J. CLAYTON/ Principal

Mr. Clayton has over 40 years' experience serving the utility industry as both a consultant and an executive. His consulting expertise includes public utility valuation, depreciation, plant, rate base, cost of service and rate design as well as economic analysis and financial modeling. His executive service includes Vice President and Treasurer of both DQE and its electric utility subsidiary, Duquesne Light Company, President of the AquaSource water and wastewater utility company and President and Chief Operating Officer of Conjunction LLC in New York State. In addition to his consulting practice Mr. Clayton is actively involved in Tangibl's electric generation and battery storage development activities.

Mr. Clayton holds a Bachelor of Science in Civil Engineering and a Master of Business Administration from Rensselaer Polytechnic Institute. He is a registered Professional Engineer in the Commonwealth of Pennsylvania, a Chartered Financial Analyst and a Certified Depreciation Professional.

Professional Experience

2007 – PRESENT TANGIBL GROUP, INC. (Formerly Tangibl, LLC)
PRINCIPAL
CHIEF FINANCIAL OFFICER

As the Principal in charge of Rate Consulting at Tangibl Group, Inc., Mr. Clayton is responsible for a wide range of assignments including rate and depreciation studies for electric, gas, water, wastewater, thermal and railroad companies and cost of service and rate design studies for electric, gas and water utilities.

Mr. Clayton is also actively involved in Tangibl's development activities related to electric generating stations, and battery storage.

2005 – 2007..... GANNETT FLEMING, INC.
DIRECTOR, REGULATORY ECONOMICS

In this position Mr. Clayton conducted depreciation and rate related studies for studies for electric, gas, thermal, water, wastewater and railroad companies.

2002 – 2005 CONJUNCTION, LLC
PRESIDENT AND CHIEF OPERATING OFFICER

Conjunction LLC was formed to develop a high voltage direct current transmission line from upstate New York to New York City.

- Responsible for day-to-day activities of the firm, raising equity capital to fund the project and negotiation of numerous contracts and agreements between the Company and its consultants, lawyers, land owners and investors.
- Responsible for preparation of the Company's transmission siting filing under Article VII before the New York Public Service Commission and the FERC filing for merchant transmission line status.

2000 – 2002 ENERGY LEADER CONSULTING, LLC
PARTNER

Energy Leader Consulting provided strategic consulting to energy companies concerning opportunities related to electric generating stations.

Professional Experience, Cont.

- Performed acquisition analysis for generating stations, identification of power plant development opportunities throughout the U.S. market and diagnostic studies for electric generators.
- Led multi-million dollar study for Amtrak to determine the feasibility of using their railroad rights-of-way for electric transmission.

1985 – 2000 DQE
 VICE PRESIDENT AND TREASURER
 PRESIDENT – AQUASOURCE
 MANAGER – VALUATION AND PROPERTY RECORDS DEPARTMENT

- Mr. Clayton developed and directed the AquaSource water and wastewater utility subsidiary where he managed all aspects of a rapidly growing business, including development of the initial business plan, integration of acquisition targets, recruitment of executive staff, and political and regulatory relations. He also headed the rate case filed in Texas for a statewide tariff related to the small water and wastewater companies acquired by AquaSource.
- As Vice President and Treasurer, Mr. Clayton was responsible for corporate finance, financial planning, corporate budgeting, cash management and investor and shareholder relations during a period of unprecedented organizational and marketplace changes. While he was Vice President and Treasurer, he was the stranded cost witness for Duquesne Light Company in their restructuring proceeding before the Pennsylvania Public Utility Commission.
- Mr. Clayton’s first position with DQE was as Manager of the Valuation and Property Records (Fixed Assets) department, where he was responsible for the Company's \$5+ billion of fixed assets and the construction cost accounting system, at a time when two nuclear electrical generation plants were being built and added to rate base. While in this position, he was the company's rate base and depreciation witness in its two largest rate cases.

1980 – 1985 PRICE WATERHOUSE
 MANAGER, PUBLIC UTILITY INDUSTRY SPECIALTY GROUP

- Performed numerous cost-of-service, rate design, depreciation and other valuation and rate related assignments for electric, gas, water and sewer clients in the public and private sectors.
- Developed a PC-based cost of service program and completed a program for evaluating street lighting.

1977 – 1980..... GANNETT FLEMING, INC.

- Performed numerous studies in the areas of depreciation and cost of service for electric, gas, telephone, water, wastewater and railroad companies.
- Presented expert testimony before the Pennsylvania Public Utility Commission, the Alaska Public Utilities Commission and Monmouth County Court in New Jersey.
- Completed assignments for more than 50 companies, including electric, gas, water, and telephone and railroad clients.

DONALD J. CLAYTON/ Principal
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Professional Experience, Cont.

- Participated in the valuation related to the \$2.1 Billion conveyance of the former Penn Central Railroad to Conrail and provided the analytics for three successful tax cases involving more than \$300 million in tax depreciation for the Union Pacific, the Burlington Northern and the Chesapeake & Ohio Railroads.

Continuing Education

- All programs offered by Depreciation Programs, Inc.
- Management training courses offered by the Edison Electric Institute.
- Utility accounting seminars offered by Salomon Brothers.

Professional Societies

Mr. Clayton is an active member of the Society of Depreciation Professional where he has served as Treasurer and as a Board Member. He is an instructor at their annual depreciation training sessions where he has taught the basic and intermediate life analysis courses and the advanced course on preparing and defending a depreciation study.

History of Testimony - Donald J. Clayton

Regulatory Cases

State / Fed	Agency	Docket Number	Company	Utility Type	Primary Issue
AK	RCA	U-04-22	Anchorage Water and Wastewater Utility	Water/Wastewater	Contributed water/wastewater plant and depreciation
AK	RCA	U-04-23	Anchorage Water and Wastewater Utility	Water/Wastewater	Contributed water/wastewater plant and depreciation
AR	APSC	13-028-U	Entergy Arkansas, Inc	Electric	Depreciation
IN	IURC	Cause No 43201	Citizens Thermal	Steam, Thermal	Depreciation
IN	IURC	Cause No 43463	Citizens Gas & Coke Utility	Gas	Depreciation
IN	IURC	Cause No 43624	Citizens Gas of Westfield	Gas	Depreciation
KY	KYPSC	2006-00236	East Kentucky Power Cooperative	Electric	Depreciation
Fed	FERC	ER-07-562-004	Trans-Allegheny Interstate Line Company (Allegheny)	Electric	Depreciation and Net Salvage for Static Var Compensator
Fed	FERC	ER-08-386-000	Potomac-Appalachian Transmission Highline, LLC (AEP/Allegheny Energy)	Electric	Depreciation and Net Salvage of Transmission Plant
Fed	FERC	ER-09-35-000	Tallgrass Transmission, LLC (AEP/MidAmerican/OGE)	Electric	Depreciation and Net Salvage of Transmission Plant
Fed	FERC	ER-09-36-000	Prairie Wind Transmission, LLC (AEP/MidAmerican/Westar)	Electric	Depreciation and Net Salvage of Transmission Plant
Fed	FERC	ER-09-75-000	Pioneer Transmission, LLC (AEP/Duke Energy)	Electric	Depreciation and Net Salvage of Transmission Plant
Fed	FERC	EL17-41-000	System Energy Resources, Inc	Nuclear Power Plant	Depreciation
Fed	FERC	EL16-51-000 & ER16-1032-000	IMG Midstream	Power Plant	Cost of Service - Reactive Power
Fed	FERC	ER17-2386-000	Great Bay Solar	Solar Facility	Cost of Service - Reactive Power
FL	FPSC	090182-SU	Ni Florida LLC - Hudson	Wastewater	Rate base, cost of service, cost of capital, working capital and revenue requirements
FL	FPSC	130010- WU	Ni Florida LLC - Tamiami	Water	Rate base, cost of service, cost of capital, working capital and revenue requirements
FL	FPSC				
LA	LPSC	U-32707	Entergy Gulf States Louisiana, L L C	Electric	Depreciation
LA	LPSC	U-32708	Entergy Louisiana, L L C	Electric	Depreciation
LA	LPSC	Not yet filed	Entergy Louisiana, L L C	Electric	Depreciation
LA		City of New Orleans - not yet filed	Entergy New Orleans L L C	Electric and Gas	Depreciation
MS	MPSC	EC-123-0082-00	Entergy Mississippi, Inc.	Electric	Depreciation
OK	OCC	Cause Nos PUD 200800144	Public Service Company of Oklahoma (AEP)	Electric	Net salvage and support for company study
OR	ORPUC	UG 201	Avista Corporation	Gas	Cash working capita
PA	PAPUC	R-860378	Duquesne Light Company	Electric	Rate base and depreciation
PA	PAPUC	R-870651	Duquesne Light Company	Electric	Rate base and depreciation
PA	PAPUC	R-00974041	Duquesne Light Company	Electric	Stranded cost and electric industry restructuring
SC	SCPSC	2011-24-S	Palmetto Utilities, Inc	Wastewater	Rate base and revenue requirements
SC	SCPSC	2012-94-S	Apline Utilities	Wastewater	Rate base and revenue requirements
SC	SCPSC	2013-42-S	Palmetto Utilities, Inc	Wastewater	Rate base and revenue requirements
SC	SCPSC	2014-69-S	Apline and Woodland Utilities	Wastewater	Rate base and revenue requirements
TX	TCEQ	(SOAH) 582-09-4290	Country Vista	Wastewater	Revenue requirements, cost of service, cost of capital, rate design
TX	TCEQ	(SOAH) 582-08-0702	Shaded Lane Water Company	Water	Revenue requirements, cost of service, cost of capital, rate design
TX	TCEQ	(TCEQ) 36926-R	Ni Texas, LLC	Wastewater	Revenue requirements, cost of service, cost of capital, rate design
TX	TCEQ	(SOAH) 582-12-1634	D & K Development Corp	Wastewater	Revenue requirements, cost of service, cost of capital, rate design
TX	TCEQ	(TCEQ) 2013-0045-UCR	Grand Ranch	Wastewater	Revenue requirements, cost of service, cost of capital, rate design
TX	TRRC	(Gas Utilities) 10190	Huges Natural Gas	Gas	Depreciation
WV	WVPSC	06-0445-G-42T	East Resources	Gas	Rate base, cost of service, cost of capital, working capital and revenue requirements
WV	WVPSC	08-0275-G-42T	East Resources	Gas	Rate base, cost of service, cost of capital, working capital and revenue requirements
WV	WVPSC	09-2069-G-42T	Megan Oil & Gas Company	Gas	Rate base, cost of service, cost of capital, working capital and revenue requirements

History of Testimony - Donald J. Clayton

Regulatory Cases, Cont

State / Fed	Agency	Docket Number	Company	Utility Type	Primary Issue
WV	WVPSC	10-0757-G-D	Megan Oil & Gas Company	Gas	Rate base and accumulated depreciation related to request for change in depreciation rates
WV	WVPSC	05-0420-E-CN	Monongahela Power Company and The Potomac Edison Company (Allegheny Energy)	Electric	Depreciation, cost of removal, net salvage
WV	WVPSC	11-0410G-42T	Bluefield Gas Company	Gas	Rate base, cost of service and revenue requirements, income tax normalization
WV	WVPSC	11-0532-G-42T	Megan Oil & Gas Company	Gas	Rate base, cost of service and revenue requirements
WV	WVPSC	11-1321-G-42T	Blacksville Oil & Gas Company	Gas	Rate base, cost of service and revenue requirements
WV	WVPSC	12-0064-E-42T	Black Diamond Power Company	Electric	Rate base, cost of service and revenue requirements
WV	WVPSC	12-0427-G-42T	Bluefield Gas Company	Gas	Rate base, cost of service and revenue requirements
WV	WVPSC	16-0427-G-42T	Bluefield Gas Company	Gas	Rate base, cost of service and revenue requirements
WV	WVPSC	17-0565-G-42T	Bluefield Gas Company	Gas	Rate base, cost of service and revenue requirements
WV	WVPSC	12-0661-G-42T	Canaan Valley Gas Company	Gas	Rate base, cost of service, cost of capital, working capital and revenue requirements
WV	WVPSC	14-0537-G-42T	Union Oil & Gas Company	Gas	Rate base, cost of service, cost of capital, working capital and revenue requirements

Case Support (No testimony filed)

State	Agency	Docket Number	Company	Utility Type	Primary Issue
FL	FLPSC	090182	Ni Florida, LLC (Hudson)	Wastewater	Complete rate case preparation
FL	FLPSC	100126	CFAT H2O, Inc	Water/Wastewater	Complete rate case preparation, including rate base, cost of service, cost of capital, working capital, billing analysis and revenue requirements
FL	FLPSC	100127	Tradewinds Utilities, Inc	Water/Wastewater	Complete rate case preparation, including rate base, cost of service, cost of capital, working capital, billing analysis and revenue requirements
FL	FLPSC	100149	Ni Florida, LLC (Tamiami)	Water	Complete rate case preparation
FL	FLPSC	130010-WS	Ni Florida, LLC	Water & Wastewater	Complete rate case preparation
FL	FLPSC	150170-WS	Ni Florida, LLC	Water & Wastewater	Complete rate case preparation
ID	IPUC	AVG-10-01-E	Avista Corporation	Electric/Gas	Cash working capital study
ID	IPUC	AVG-10-01-G	Avista Corporation	Electric/Gas	Cash working capital study
KS	KSCC	08-GIMX-1142-GIV	Westar Energy	Electric	Comments on KSCC general investigation into deprecation issues
WA	WUTC	UE-100467	Avista Corporation	Electric/Gas	Cash working capital study
WA	WUTC	UG-100468	Avista Corporation	Electric/Gas	Cash working capital study
WV	WVPSC	08-2030-E-PC	Black Diamond Power Company, Elk Power Company, Union Power Company, West Virginia Utility Company	Electric	Merger justification and support
WV	WVPSC	09-1985-E-42T	Black Diamond Power Company	Electric	Complete Rule 42 Exhibit preparation, including rate base, cost of service, cost of capital, working capital and revenue requirements
WV	WVPSC	09-1986-E-42T	Elk Power Company	Electric	Complete Rule 42 Exhibit preparation, including rate base, cost of service, cost of capital, working capital and revenue requirements
WV	WVPSC	09-1987-E-42T	Union Power Company	Electric	Complete Rule 42 Exhibit preparation, including rate base, cost of service, cost of capital, working capital and revenue requirements
WV	WVPSC	12-0064-E-42T	Black Diamond Power Company	Electric	Complete Rule 42 Exhibit preparation, including rate base, cost of service, cost of capital, working capital and revenue requirements
WV	WVPSC	17-0535-G-42T	Union Oil and Gas	Gas	Complete Rule 42 Exhibit preparation, including rate base, cost of service, cost of capital, working capital and revenue requirements

History of Testimony - Donald J. Clayton

Other Cases

State	Agency	Docket Number	Company	Utility Type	Primary Issue
NJ	N/A	N/A	International Flavors and Fragrances	Wastewater	Cost of service, rate design
Fed	RUS	N/A	East Kentucky Power Co-op	Electric	Depreciation
Fed	STB	N/A	Kansas City Southern Railroad	Railroad	Depreciation

Miscellaneous Revenue - Tariff

Category	Amount	% Increase	Water			Sewer		
			Test Year Revenue	Revenue at Proposed rates	Increase	Test Year Revenue	Revenue at Proposed rates	Increase
Tap Fee-Water	\$ 1,000.00	200%	8,733.81	17,467.63	8,733.81	5,323.55	10,647.09	5,323.55
Tap Fee-Wastewater	\$ 1,200.00	195%	-	-	-	-	-	-
Reconnect-Non-Payment	\$ 25.00	100%	22,563.00	23,081.56	518.56	1,560.35	1,732.80	172.44
-Customer Request	\$ 50.00	107%	-	-	-	-	-	-
-After Hours	\$ 50.00	143%	-	-	-	-	-	-
Transfer Fee	\$ 65.00	181%	14,989.50	28,423.82	13,434.32	2,743.30	5,368.33	2,625.03
Late Charge*	\$5.00/10%	209%	100,850.60	217,055.57	116,204.97	11,213.73	83,505.70	72,291.97
Returned Check	\$ 30.00	112%	1,874.00	2,198.21	324.21	365.22	408.55	43.33
Customer Deposit	\$ 50.00	100%	-	-	-	-	-	-
Meter Test Fee - Residential	\$ 25.00	100%	-	-	-	-	-	-
Meter Test Fee - Commercial	\$ 50.00	100%	-	-	-	-	-	-
		Total	149,010.92	288,226.78	139,215.87	21,206.15	101,662.47	80,456.32

*vary with revenue

Tariffs Comparison

	EMCAD	Orbit	Sugartree	Consumers	Pioneer Trails Consumers	Suburban	Community	Sweetgum Community	Gulf Coast	Chuck Bell	Bolivar
Water											
Base Charge											
5/8" or 3/4"		\$ 35.00		\$ 30.23	\$ 43.31	\$ 23.00	\$ 34.63	\$ 29.57	\$ 25.14	\$ 42.71	
5/8" or 3/4"									\$ 37.75		
1"		\$ 70.00		\$ 75.58	\$ 108.28	\$ 57.50	\$ 86.58	\$ 73.93	\$ 45.50		
1 1/2"		\$ 175.00		\$ 151.15	\$ 216.55	\$ 115.00	\$ 173.15	\$ 147.85	\$ 87.75		
2"		\$ 280.00		\$ 241.84	\$ 346.48	\$ 184.00	\$ 277.04	\$ 236.56	\$ 125.00		
3"		\$ 525.00		\$ 453.45	\$ 649.65	\$ 345.00	\$ 519.04	\$ 443.55	\$ 187.50		
4"		\$ 1,100.00		\$ 755.75	\$ 1,082.75		\$ 865.75	\$ 650.54			
Unmetered		\$ 54.78									
Usage		\$ 3.00		\$ 1.72	\$ 1.72	\$ 2.15	\$ 2.09	\$ 2.40	\$ 1.40	\$ 3.73	
						\$ 2.40			\$ 1.75		
						\$ 2.65			\$ 2.50		
						\$ 3.00			\$ 3.25		
									\$ 1.95		
									\$ 2.50		
								Wholesale	\$ 3.50		
Wastewater											
Base Charge	Flat		Flat								
	\$ 79.25	\$ 30.00							\$ 30.00		\$ 40.00
	\$ 85.00		\$ 85.00					Wholesale	\$ 150.00		
Unmetered		\$ 47.01									
Usage		\$ 3.00							\$ 2.00		\$ 6.00
								Wholesale	\$ 3.00		

Tariffs Comparison

	EMCAD	Orbit	Sugartree	Consumers	Pioneer Trails Consumers	Suburban	Community	Sweetgum Community	Gulf Coast	Chuck Bell	Bolivar
Cities/Unincorp. Towns	None	City of Manvel	None	None	None	None	None	None	Iowa Colony	None	None
Regulatory Assess Fee	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Tap Fee-Water		\$ 600.00		\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$625/\$675	\$ 1,000.00	
Tap Fee-Wastewater	\$450/\$600		\$ 1,300.00								\$ 550.00
Reconnect-Non-Payment	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
-Customer Request	\$ 40.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 25.00	\$ 60.00	\$ 40.00
-After Hours										\$ 35.00	
Transfer Fee	\$ 25.00	\$ 25.00	\$ 45.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 25.00	\$ 65.00	N/A
Late Charge	\$5.00/10%	\$5.00/10%	10%	\$5.00/10%	\$5.00/10%	\$5.00/10%	\$5.00/10%	\$5.00/10%	\$5.00/10%	\$5.00/10%	\$5.00/10%
Returned Check	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 30.00	\$ 25.00	\$ 30.00	\$ 30.00	\$ 25.00	\$ 30.00	\$ 25.00
Customer Deposit	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Meter Test Fee		\$ 25.00		\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00		\$ 25.00	
Pass-Thrus											
-Purch Water-JCSUD										\$ 2.51	
-Purch Water-Crystal Springs					\$23.95 Base /\$8.41/kGal						
-Purch Water-Aqua Texas COH GRP								\$ 1.31			
-Purch Water-Harris County MUD 421						\$ 4.75					
-Prairielands GCD										\$ 0.24	
-Northern Trinity GCD										\$ 0.15	
-Brazoria County GCD		\$ 0.03									
-N. Fort Bend Water Auth		\$ 3.68									
-San Jacinto River Auth				\$ 3.11							
-N. Harris County Regional Water Auth				\$ 3.41		\$ 5.47					
-City of Houston GRP				\$ 1.05		\$ 1.04	1.05				
-City of Houston GRP				\$ 2.80							
-Capital Improvement Plan							\$ 40.00				



RECEIVED
JUL 9 1 2019
BY: _____

INVOICE

Tangibl Group, Inc. | 201 King of Prussia Road | Suite 650 | Radnor, Pennsylvania 19087

SOLD TO: Undine Group, LLC
17681 Telge Road
Cypress, Texas 77429

DATE: July 30, 2019
INVOICE NO.: 357003.001
TERMS: 1% 10 Net 30

ATTENTION: Mr. Eric Griffin, Controller

FORM OF CONTRACT: Verbal

REQUESTED BY: Eric Griffin and Charlie Leibold

PROJECT: Texas Base Rate Case

WIRING INSTRUCTIONS:	[REDACTED]	ROUTING NO.:	[REDACTED]
		ACCOUNT NO.:	[REDACTED]

SCOPE OF SERVICES: Prepare Base Rate Case for Undine Operating Companies.

PROFESSIONAL SERVICES

FIXED FEES

Lump Sum Quote
Previous Amount Billed
Amount Due This Month
Remaining Amount

POSTED

FOR JULY 2019

AMOUNTS	
	45,000.00
	10,000.00
	35,000.00
SUBTOTAL: \$	10,000.00

TOTAL AMOUNT DUE THIS INVOICE: ~~\$ 10,000.00~~ *

Handwritten calculation:
10,000
- 1,100

8,900
Dise

Preliminary work/discussion
ON UPCOMING rate case.
OK to pay.
BFW
Charge to
Deferred Rate
Case Expenses
For Undine Ops



INVOICE

Tangibl Group, Inc. | 201 King of Prussia Road | Suite 650 | Radnor, Pennsylvania 19087

SOLD TO: Undine Group, LLC
17681 Telge Road
Cypress, Texas 77429

DATE: October 25, 2019
INVOICE NO.: 357003.002
TERMS: 1% 10 Net 30

ATTENTION: Mr. Eric Griffin, Controller

FORM OF CONTRACT: Verbal

REQUESTED BY: Eric Griffin and Charlie Leibold

PROJECT: Texas Base Rate Case

WIRING INSTRUCTIONS:	[REDACTED]	ROUTING NO.:	[REDACTED]
		ACCOUNT NO.:	[REDACTED]

SCOPE OF SERVICES: Preparation of Base Rate Case as of 9/30/19

PROFESSIONAL SERVICES

FOR OCTOBER 2019

FIXED FEES

AMOUNTS

Lump Sum Quote	55,000.00
Previous Amount Billed	-
Amount Due This Month	10,000.00
Remaining Amount	45,000.00

SUBTOTAL: \$ 10,000.00

TOTAL AMOUNT DUE THIS INVOICE: \$ 10,000.00



INVOICE

Tangibl Group, Inc. | 201 King of Prussia Road | Suite 650 | Radnor, Pennsylvania 19087

SOLD TO: Undine Group, LLC
17681 Telge Road
Cypress, Texas 77429

DATE: November 29, 2019
INVOICE NO.: 357003.003
TERMS: 1% 10 Net 30

ATTENTION: Mr. Eric Griffin, Controller

FORM OF CONTRACT: Verbal

REQUESTED BY: Ed Wallace

PROJECT: Texas Base Rate Case

WIRING INSTRUCTIONS:	[REDACTED]	ROUTING NO.:	[REDACTED]
		ACCOUNT NO.:	[REDACTED]

SCOPE OF SERVICES: Preparation of Base Rate Case as of 9/30/19

PROFESSIONAL SERVICES

FOR NOVEMBER 2019

<u>FIXED FEES</u>	<u>AMOUNTS</u>
Lump Sum Quote	55,000.00
Previous Amount Billed	20,000.00
Amount Due This Month	30,000.00
Remaining Amount	5,000.00
	SUBTOTAL: \$ 30,000.00
	TOTAL AMOUNT DUE THIS INVOICE: \$ <u>30,000.00</u>

DOCKET NO. 50200

**APPLICATION OF UNDINE TEXAS §
LLC FOR AUTHORITY TO CHANGE §
RATES §**

**BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS**

**DIRECT TESTIMONY
OF
WILLIAM ANDREW (ANDY) THOMAS**

**ON BEHALF OF
UNDINE TEXAS, LLC**

DECEMBER 20, 2019

**DIRECT TESTIMONY OF
WILLIAM ANDREW (ANDY) THOMAS**

TABLE OF CONTENTS

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ATTACHMENTS:

Attachment A	Capital Expenditures Total by System
Attachment B	Photos
Attachment C	Community Systems Capital Spending

1 Before joining AquaSource, I was the Assistant Plant Manager for Philips
2 Services Corp.'s rail car cleaning and water treatment facility in Angleton,
3 Texas. Additionally, I was the OSHA Certified Safety Instructor responsible for all
4 training and compliance. I attended Houston Community College and obtained an
5 Associate's Degree in Fire Protection Technology, working in conjunction with the
6 Texas A&M Fire School.

7 Having been involved with the Houston Livestock Show and Rodeo for over
8 20 years, I currently serve as the Chairman of the Medical & Safety Committee, a
9 non-profit 501(c)(3) organization benefiting youth and supporting education and
10 agriculture, which has granted \$500 million in scholarships since inception. I am a
11 member of the American Water Works Association and the Texas Rural Water
12 Association.

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

14 A. I am testifying on behalf of Undine Texas, LLC (Undine or Company).

15 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN A COMMISSION PROCEEDING?**

16 A. No.

17 **Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?**

18 A. I am accountable for all aspects of capital improvements and operations for Undine
19 Texas, LLC, as well as all of Undine's operating entities.

20 **II. PURPOSE OF TESTIMONY**

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

22 A. The purpose of my testimony is to support the application for rate relief and provide
23 the Commission with information about Undine and the systems it has acquired, a

1 description of the improvements that have been made and are scheduled to be made, an
2 explanation of how the systems are operated, and a description of how Undine's capital
3 costs are controlled.

4 **III. UNDINE'S ACQUISITIONS**

5 **Q. PLEASE DESCRIBE THE SYSTEMS ACQUIRED BY UNDINE.**

6 A. Over the last two years, Undine has acquired approximately 64 water systems and nine
7 wastewater systems. The majority of the systems acquired by Undine were some of
8 the most undercapitalized and distressed systems in the State of Texas and many had
9 not been repaired in decades. These systems were in the worst condition that I have
10 ever seen in my experience with water and sewer utilities. When we acquired these
11 systems, many were experiencing water outages for long periods of time, low pressure,
12 no chlorination, and discolored water.

13 The same is true of the sewer plants we acquired. It was difficult to perform
14 comprehensive due diligence on these aging sewer systems in part due to all of the
15 infrastructure being underground. Some of our plants were close to not meeting the
16 TCEQ permitting requirements, and some did not meet them at all. Many of these
17 water and wastewater systems had existing violations or fines that Undine is still
18 resolving.

19 **Q. CAN YOU BRIEFLY DESCRIBE ALL OF THE ACQUISITIONS BY UNDINE?**

20 A. Yes.

- 21 • The EMCAD systems, with three CCNs, were acquired by Undine in 2016,
22 PUC Docket No. 45745. These systems serve 369 equivalent residential
23 customers (ERCs) in Tarrant and Johnson Counties.

- 1 • Undine acquired Orbit Systems, Inc. in 2018, PUC Docket No. 47206. Through
2 this acquisition, Undine acquired and now serves 2,076 Water and 166 Sewer
3 ERCs in Brazoria, Fort Bend, and Matagorda Counties.
- 4 • Consumers Water, Inc. was acquired in 2018, PUC Docket No. 47477,
5 consisting of 1,786 ERCs in Harris and Montgomery Counties.
- 6 • Community Utility Company was also acquired in 2018, PUC Docket No.
7 47441, with 218 Water ERCs in Harris and Montgomery Counties.
- 8 • Suburban Utility Company was acquired in 2018, as well, PUC Docket No.
9 47396, with 1,364 Water ERCs in Harris County.
- 10 • The Chuck Bell Water Systems were acquired in 2019, PUC Docket No. 48388,
11 with 337 Water ERCs in Tarrant and Johnson Counties.
- 12 • Gulf Coast Utility Company was acquired by Undine in 2019, PUC Docket
13 Nos. 47639 and 47640, with 590 Water ERCs and 539 Sewer ERCs in Brazoria
14 and Matagorda Counties.
- 15 • And, the most recent acquisition to close was that of Bolivar Utility Services,
16 PUC Docket No. 48151, with 793 sewer connections in Galveston County. This
17 transaction closed on September 26, 2019, and we are currently awaiting the
18 issuance of the final Notice of Approval.

19 **Q. HAVE ALL OF THESE ACQUISITIONS BEEN FINALLY APPROVED BY**
20 **THE COMMISSION?**

21 A. Yes, except we are still awaiting Final Notice of Approval on the Bolivar acquisition,
22 and expect it very soon.

1 **Q. ARE THE WATER SYSTEMS RECENTLY ACQUIRED BY UNDINE**
2 **SIMILARLY SITUATED IN TERMS OF FACILITIES, QUALITY OF**
3 **SERVICE, AND COST OF SERVICE?**

4 A. Yes. As discussed in the Direct Testimony of Edward Wallace, Undine is seeking a
5 consolidated rate for these systems. The water systems acquired by Undine that are the
6 subject of this Rate Application are all groundwater systems, mostly served by wells
7 on-site. As a result, their operations are very similar, and they have the same
8 maintenance requirements for their wells, storage tanks, pump houses, distribution
9 mains, and all associated equipment needed to produce the water, store it, and distribute
10 it at pressure to the connections. In addition, the water systems all serve residential
11 users, so the usage characteristics of each system are very similar.

12 **Q. ARE THE WASTEWATER SYSTEMS RECENTLY ACQUIRED BY UNDINE**
13 **SIMILARLY SITUATED IN TERMS OF FACILITIES, QUALITY OF**
14 **SERVICE, AND COST OF SERVICE?**

15 A. Yes. The wastewater plants serving the systems that are included in this Rate
16 Application are all very similar. The treatment capacity of these systems ranges in size
17 from 20,000 mgd to 100,000 mgd, and they discharge to effluent holding ponds for golf
18 course irrigation, and to unnamed tributaries. The wastewater treated by each system
19 is domestic wastewater; there are no industrial or large commercial customers on any
20 of the systems. As a result, the operational characteristics of each plant are very similar,
21 and the maintenance costs associated with each plant are also alike.

1 **Q. PLEASE EXPLAIN THE IMPROVEMENTS UNDINE HAS MADE TO THE**
2 **SYSTEMS.**

3 A. In coordination with the TCEQ, we are currently in the middle of a \$17 million
4 construction budget to repair, replace, or renovate the systems we have acquired.
5 Because of the very poor condition of these systems, rather than attempt to repair or
6 renovate in some instances, it made much more sense to replace all of the above-ground
7 equipment of those systems. Otherwise, we would be in the position of repairing
8 broken fences, patching holes in leaking storage tanks, unraveling or trying to fix
9 electrical panels that looked more like birds' nests than control panels, as well as
10 rebuilding so-called pump houses that resembled deteriorated deer blinds.

11 We have always believed in standardizing our systems wherever possible. In
12 that regard, we developed a standard pump house using Conex buildings. This allowed
13 us to construct 100% of these buildings off-site, constructing several at a time, while
14 having all new pumps, motors, electrical controls, monitoring equipment, and chemical
15 containers and controls housed inside one location. At the majority of these plants, due
16 to the minimum size of land available for construction and the re-building process, the
17 customers were well-served as there were fewer service interruptions when installing
18 on-site. A detailed summary of repairs completed from the acquisition date through
19 September 30, 2019, is included as Attachment A to my testimony. Photos showing
20 examples of these deteriorated and dilapidated assets and how we have replaced them
21 are attached as Attachment B to my testimony.

1 **Q. MR. WALLACE HAS TESTIFIED THAT UNDINE IS ELIMINATING THE**
2 **EXISTING SURCHARGE ON THE CUSTOMERS IN THE FOREST MANOR**
3 **AND HEATHERGATE ESTATES SUBDIVISIONS. CAN YOU PLEASE**
4 **EXPLAIN UNDINE’S PLANS FOR THE REVENUES GENERATED TO-DATE**
5 **BY THE SURCHARGE?**

6 A. Yes. We plan to dedicate those funds, currently approximately \$369,000, to continue
7 the capital improvement projects already identified for these systems. I have attached
8 as Attachment C a description of the actual and projected capital spending, which totals
9 over \$575,000. We expect to substantially complete these capital projects by the end
10 of 2020.

11 **Q. PLEASE EXPLAIN HOW YOU OVERSEE THE OPERATIONS OF THE**
12 **COMPANY AND WHAT PROBLEMS YOU CURRENTLY ARE HAVING?**

13 A. As I have stated, I am responsible for all aspects of overseeing and managing the
14 operations and feasibility of our systems, with a goal of being as practical as possible.
15 As described by Mr. Wallace, in lieu of employing our own operators, we engage third-
16 party professionals to operate our systems. But that does not mean we leave all aspects
17 of operating our systems to Undine’s third-party operators. On the contrary, we
18 manage those individuals similarly to how we would directly oversee the plant
19 operations ourselves, understanding these systems have not been maintained properly,
20 or repaired for decades. We hold frequent meetings with both the Operations Team and
21 the Management Team to discuss planning and operational schedules. We do this to
22 assure all moving parts stay coordinated and problems can be raised immediately and

1 as a result solved quickly. We want all operations to conform to our standards as we
2 strive for best practices.

3 As we repair the plants, we install low-cost but effective SCADA monitoring
4 systems called "Mission Units." Those units allow us to remotely monitor important
5 details such as who enters every pump house, the status of pumps and motors, pressure
6 of the system, and status of the storage tank and lift station. Often the Mission Units
7 alert us to abnormalities or problems a system may be experiencing before we receive
8 any calls from the customers. Having said that, with some of these systems we have
9 been faced with many different challenges. The considerable amount of capital we
10 have invested and are continuing to invest, meanwhile making improvements as
11 expeditiously as possible, still makes the capital improvement scheduling difficult to
12 control due the sub-standard conditions and unreliability of these systems. There are
13 many factors out of our control that played a role in these challenges, such as natural
14 disasters (Hurricanes Harvey and Imelda) the many years of mismanaged and
15 unmaintained facilities resulting in dilapidated conditions of the acquired systems,
16 material delays such as steel for ground storage tanks, the lead-time for obtaining
17 pressure tanks, and the overall scale of the projects combined. Unfortunately, needed
18 materials are often not "stock" items that are sitting on a shelf with a local vendor.

19 In these older systems that are not accustomed to the higher pressures required
20 in order to be compliant with TCEQ standards, improvements often result in a variety
21 of types of leaks (both small and large), and at times bring system-wide water outages.
22 However, this has also helped us find small leaks that have been going on for years,
23 which has resulted in lower levels of water loss. Even though Undine has achieved

1 remarkable results to date, many times these leaks result in violations and fines,
2 especially in the systems we have not yet completely repaired.

3 We continue to streamline the Capital Program, and the above-ground aging
4 infrastructure takes precedence. The systems' wells, ground storage tanks, pressure
5 tanks, and pump houses, including electrical and chemical feed systems, always takes
6 priority. Nevertheless, many times our focus has changed due to the urgent need to
7 keep customers supplied with water. We designed a portable pump house in a
8 self-contained trailer that contains pressure tanks, booster pumps, well controls, and
9 chemical feed system that can be moved from site to site. This assists us when we
10 rebuild an old system, so that customers' water service is not interrupted. With
11 improvements to many systems now completed, some of our focus has turned toward
12 replacing 20-year and older meters, broken meters, meters that are obstructed, and even
13 some missing meters.

14 The same is true of most of the wastewater systems we acquired. Bringing a
15 wastewater system up to standard is more difficult than upgrading a comparable water
16 system. A sewer plant is a living microbiological process. It takes some time to fully
17 understand the issues of each plant and resolve and repair its problems. While replacing
18 all the wastewater systems would be an answer, we are finding that many of the systems
19 just need a great deal of maintenance to be performed that has been neglected for so
20 many years.

1 **Q. WITH THE MAGNITUDE OF THE CAPITAL BUDGET YOU MANAGE**
2 **HOW DO YOU ASSURE YOU KEEP COSTS TO A MINIMUM?**

3 A. We pride ourselves in upgrading our systems in the most “cost effective” way possible.
4 For example, other utilities may build expensive concrete slab, brick and mortar pump
5 houses to bring their systems into compliance. Our standard pump houses save
6 thousands of dollars at every location, which add up when you have the number of
7 locations we do. Likewise, by standardizing both the equipment and suppliers of
8 pumps, motors, tanks, pressure tanks and fencing, we force suppliers to be competitive
9 or be left out of the project.

10 For larger systems with larger projects such as force mains and pipelines, we
11 have our engineers follow standard bid procedures consistent with municipal projects
12 of a similar size. While the sheer size of our Capital Budget looks daunting, I am proud
13 to say that our systems are not over-built.

14 **IV. CONCLUSION**

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

16 A. Yes it does.

**Undine Texas, LLC
Capital Expenditures Through September 30, 2019**

<u>Water CapEx</u>		<u>CapEx</u>
Total Orbit CapEx:	\$	2,812,181.15
Total Suburban CapEx:		1,268,298.51
Total Consumers CapEx:		844,530.75
Total Community CapEx:		54,177.34
Total Gulf Coast CapEx:		16,955.58
Total Chuck Bell CapEx:		54,131.82
Total Water CapEx:	\$	5,050,275.15

<u>Wastewater CapEx</u>		
Total EMCAD CapEx:	\$	647,881.82
Total Sugartree CapEx:		135,553.68
Total Orbit Wastewater CapEx:		33,672.05
Total Bolivar CapEx:		6,008.00
Total Wastewater CapEx:	\$	823,115.55

Total CapEx Spent:	\$	5,873,390.70
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<u>System Name</u>	<u>Project</u>	<u>CapEx</u>	<u>System CapEx</u>
WATER			
Orbit - Beechwood	Ground Storage Tank	\$ 64,521.35	
Orbit - Beechwood	Fencing	10,426.73	
Orbit - Beechwood	Pump House Building	87,396.81	
Orbit - Beechwood	Mission Units	\$ 3,822.64	\$ 166,167.53
Orbit - Bernard Oaks	Pump House Building	\$ 88,058.55	
Orbit - Bernard Oaks	Mission Units	\$ 4,802.87	\$ 92,861.42
Orbit - Brandi Estates	Hydro Pneumatic Tank	\$ 19,561.96	
Orbit - Brandi Estates	Fencing	7,275.00	
Orbit - Brandi Estates	Pump House Building	53,235.92	
Orbit - Brandi Estates	Mission Units	\$ 2,661.33	\$ 82,734.21
Orbit - Colony Cove	Hydro Pneumatic Tank	\$ 6,193.84	
Orbit - Colony Cove	Fencing	8,910.00	
Orbit - Colony Cove	Pump House Building	93,306.16	
Orbit - Colony Cove	Mission Units	3,822.64	
Orbit - Colony Cove	Ground Storage Tank	38,951.98	
Orbit - Colony Cove	Road Work	7,698.26	
Orbit - Colony Cove	Surveys	\$ 1,482.01	\$ 160,364.89
Orbit - Colony Trails	Pump House Building	\$ 69,934.64	
Orbit - Colony Trails	Mission Units	\$ 3,256.31	\$ 73,190.95
Orbit - Country Acres	Pump House	\$ 34,957.65	
Orbit - Country Acres	Chemical Feed System	1,342.97	
Orbit - Country Acres	Mission Units	\$ 2,127.56	\$ 38,428.18
Orbit - Country Meadows	Hydro Pneumatic Tank	\$ 6,944.00	\$ 6,944.00
Orbit- Crystal Lake Estates	Transfer Switch	\$ 7,340.00	\$ 7,340.00
Orbit - Demi John Island	Fencing	12,900.00	
Orbit - Demi John Island	Pump House	89,392.81	
Orbit - Demi John Island	Mission Units	\$ 5,985.69	\$ 108,278.50
<u>System Name</u>	<u>Project</u>	<u>CapEx</u>	<u>System CapEx</u>

Thomas Attachment A

Orbit - Demi John Place	Pump House Building	\$	89,507.57	
Orbit - Demi John Place	Well		8,815.10	
Orbit - Demi John Place	Mission Units	\$	2,661.33	\$ 100,984.00
Orbit - Larkspur	Chemical Feed System	\$	865.87	\$ 865.87
Orbit - Mark V	Fencing	\$	8,510.00	
Orbit - Mark V	Hydro Pneumatic Tank		47,240.43	
Orbit - Mark V	Chemical Feed System		8,502.77	
Orbit - Mark V	Mission Units		3,256.31	
Orbit - Mark V	Pump House Building	\$	58,264.80	\$ 125,774.31
Orbit - Mooreland	Fencing	\$	3,200.00	
Orbit - Mooreland	Hydro Pneumatic Tank		18,193.27	
Orbit - Mooreland	Pump House Building		75,163.76	
Orbit - Mooreland	Ground Storage Tank		36,860.73	
Orbit - Mooreland	Mission Units		2,661.33	
Orbit - Mooreland	Surveys	\$	2,964.02	\$ 139,043.11
Orbit - Quail Valley	Surveys	\$	1,509.97	\$ 1,509.97
Orbit - River Ranch	Mission Units		5,303.84	
Orbit - River Ranch	Transfer Switch	\$	7,340.00	\$ 12,643.84
Orbit - Riverside	Pump House Building	\$	32,334.89	
Orbit - Riverside	Mission Units	\$	566.33	\$ 32,901.22
Orbit - Rosharon Road Estates	Fencing	\$	8,472.00	
Orbit - Rosharon Road Estates	Chemical Feed System		1,892.11	
Orbit - Rosharon Road Estates	Mission Units		5,161.33	
Orbit - Rosharon Road Estates	Pump House		90,584.98	
Orbit - Rosharon Road Estates	Surveys	\$	2,090.73	\$ 108,201.15
Orbit - San Bernard Estates	Fencing	\$	12,972.42	
Orbit - San Bernard Estates	Hydro Tank		21,733.77	
Orbit - San Bernard Estates	Pump House		72,808.98	
Orbit - San Bernard Estates	Ground Storage Tank		44,007.96	
Orbit - San Bernard Estates	Road Work		4,569.93	
Orbit - San Bernard Estates	Surveys	\$	3,247.51	\$ 159,340.57
Orbit - Sandy Meadows	Pump House Building		28,879.79	
Orbit - Sandy Meadows	Mission Units		2,127.56	
Orbit - Sandy Meadows	Chemical Feed System	\$	1,252.48	\$ 32,259.83
Orbit - Snug Harbor	Fencing	\$	4,140.00	
Orbit - Snug Harbor	Pump House Building		44,149.83	
Orbit - Snug Harbor	Mission Units		2,141.54	
Orbit - Snug Harbor	Ground Storage Tank	\$	39,166.32	\$ 89,597.69
Orbit - Tejas Lakes	Fencing	\$	11,522.18	
Orbit - Tejas Lakes	Pump House		80,520.38	
Orbit - Tejas Lakes	Mission Units	\$	7,661.36	\$ 99,703.92
Orbit - Wilco	Fencing	\$	19,538.80	
Orbit - Wilco	Pump House		34,156.03	
Orbit - Wilco	Mission Units	\$	2,127.56	\$ 55,822.39
Orbit - General	Capitalized Maintenance	\$	393,668.20	
Orbit - General	Generator		38,990.21	
Orbit - General	Meter Replacement		49,353.84	
Orbit - General	Mission Units		2,586.03	
Orbit - General	Leak Program		353,507.78	
Orbit - General	Pump Building		38,409.45	
Orbit - General	Engineering		15,000.00	
Orbit - General	Survey & Mapping		25,545.00	\$ 917,060.51
Orbit - Los Robles	Well	\$	200,163.09	\$ 200,163.09
<u>System Name</u>	<u>Project</u>	<u>CapEx</u>		<u>System CapEx</u>
Suburban - Beaumont Place Danvers	Distribution System	\$	2,290.42	

Suburban - Beaumont Place Danvers	Demolition (may include road)	18,159.23		
Suburban - Beaumont Place Danvers	Well Testing	2,527.64		
Suburban - Beaumont Place Danvers	Well Plugging	2,500.00		
Suburban - Beaumont Place Danvers	Ground Storage Tank	53,982.78		
Suburban - Beaumont Place Danvers	Pump House Building	62,250.31		
Suburban - Beaumont Place Danvers	Hydro Pneumatic Tank	30,927.40		
Suburban - Beaumont Place Danvers	Site Work and Yard Piping	27,296.25	\$	199,934.03
Suburban - Beaumont Place Flagstaff	Demolition	32,700.00		
Suburban - Beaumont Place Flagstaff	Drill & Complete Well w/Pump	319.76		
Suburban - Beaumont Place Flagstaff	Ground Storage Tank	14,436.59		
Suburban - Beaumont Place Flagstaff	Pump House Building	81,597.30		
Suburban - Beaumont Place Flagstaff	Hydro Pneumatic Tank	59,271.81		
Suburban - Beaumont Place Flagstaff	Site Work and Yard Piping	5,473.60		
Suburban - Beaumont Place Flagstaff	Engineering	\$ 750.00	\$	194,549.06
Suburban - Castlewood	Distribution System	\$ 1,817.72		
Suburban - Castlewood	Demolition	10,200.00		
Suburban - Castlewood	Ground Storage Tank	75,458.30		
Suburban - Castlewood	Pump House Building	82,171.98		
Suburban - Castlewood	Booster Pumps	3,944.67		
Suburban - Castlewood	Chemical Feed System	1,435.88		
Suburban - Castlewood	Generator	49,498.92		
Suburban - Castlewood	Site Work and Yard Piping	8,500.00		
Suburban - Castlewood	Engineering	\$ 750.00	\$	233,777.47
Suburban - Cypress Bend	Demolition	\$ 5,000.00		
Suburban - Cypress Bend	Ground Storage Tank	28,101.58		
Suburban - Cypress Bend	Pump House Building	37,835.57		
Suburban - Cypress Bend	Chemical Feed System	537.50		
Suburban - Cypress Bend	Generator	49,998.92		
Suburban - Cypress Bend	Hydro Pneumatic Tank	35,089.00		
Suburban - Cypress Bend	Site Work and Yard Piping	6,800.00		
Suburban - Cypress Bend	Engineering	\$ 750.00	\$	164,112.57
Suburban - Reservoir Acres	Distribution System	8,278.22		
Suburban - Reservoir Acres	Demolition	10,750.00		
Suburban - Reservoir Acres	Ground Storage Tank	48,534.44		
Suburban - Reservoir Acres	Pump House Building	48,979.65		
Suburban - Reservoir Acres	Chemical Feed System	537.94		
Suburban - Reservoir Acres	Hydro Pneumatic Tank	8,459.20		
Suburban - Reservoir Acres	Site Work and Yard Piping	14,800.00		
Suburban - Reservoir Acres	Engineering	750.00	\$	141,089.45
Suburban - General	Capitalized Maintenance	\$ 57,177.84		
Suburban - General	Meter Replacement	56,067.02		
Suburban - General	Leak Program	125,625.11		
Suburban - General	Mission Units	13,526.58		
Suburban - General	Fencing	20,064.38		
Suburban - General	Engineering	60,000.00		
Suburban - General	Survey & Mapping	\$ 2,375.00	\$	334,835.93
Consumers - Greengate Acres	Demolition	\$ 1,500.00	\$	1,500.00
Consumers - Highland Ridge	Chemical Feed System	\$ 537.94	\$	537.94
Consumers - Joy Village	Booster Pumps	\$ 879.75	\$	879.75
Consumers - Lakewood Colony	Chemical Feed System	\$ 537.50	\$	537.50
Consumers - Meadowlake Estates	Demolition	\$ 15,555.50		
Consumers - Meadowlake Estates	Well Testing & Screen Repair	9,191.45		
<u>System Name</u>	<u>Project</u>	<u>CapEx</u>		<u>System CapEx</u>
Consumers - Meadowlake Estates	Hydro Pneumatic Tank	31,770.00		
Consumers - Meadowlake Estates	Ground Storage Tank	11,252.40		

Consumers - Meadowlake Estates	Pump House Building	35,698.08		
Consumers - Meadowlake Estates	Chemical Feed System	537.94		
Consumers - Meadowlake Estates	Electrical	19,354.10		
Consumers - Meadowlake Estates	Site Work, Yard Piping, Fencing	\$ 8,200.00	\$	131,559.47
Consumers - Spring Forest	Demolition	\$ 555.00		
Consumers - Spring Forest	Hydro Pneumatic Tank	24,756.49		
Consumers - Spring Forest	Ground Storage Tank	91,908.32		
Consumers - Spring Forest	Pump House Building	51,822.06		
Consumers - Spring Forest	Generator	\$ 47,388.92	\$	216,430.79
Consumers - Tall Cedars	Ground Storage Tank	\$ 10,375.00		
Consumers - Tall Cedars	Pump House Building	367.94		
Consumers - Tall Cedars	Electrical	\$ 3,996.51	\$	14,739.45
Consumers - Urban Acres	Hydro Pneumatic Tank	\$ 1,105.76	\$	1,105.76
Consumers - General	Capitalized Maintenance	\$ 135,415.30		
Consumers - General	Generator	38,990.21		
Consumers - General	Meter Replacement	4,435.69		
Consumers - General	Leak Program	245,433.77		
Consumers - General	Mission Units	5,150.12		
Consumers - General	Engineering	39,500.00		
Consumers - General	Survey & Mapping	\$ 8,315.00	\$	477,240.09
Community - Forest Manor	Demolition	\$ 1,000.00		
Community - Forest Manor	Chemical Feed System	537.94		
Community - Forest Manor	Land Surveying / SCE / Land	\$ 712.50	\$	2,250.44
Community - Heathergate	Site Work, Yard Piping, Fencing	\$ 712.50	\$	712.50
Community - General	Capitalized Maintenance	\$ 40,015.11		
Community - General	Meter Replacement	774.13		
Community - General	Leak Program	\$ 10,425.16	\$	51,214.40
Gulf Coast - General	Capitalized Maintenance	\$ 12,613.31		
Gulf Coast - General	Leak Program	\$ 4,342.27	\$	16,955.58
Chuck Bell - General	Capitalized Maintenance	\$ 36,476.72		
Chuck Bell - General	Meter Replacement	2,754.29		
Chuck Bell - General	Leak Program	\$ 14,900.81	\$	54,131.82
WASTEWATER				
EMCAD - Mayfair	WWTP Replacements	\$ 412,901.32		
EMCAD - Mayfair	Collection Systems	42,328.41		
EMCAD - Mayfair	Capitalized Maintenance	110,532.04		
EMCAD - Mayfair	Mission Units	40,999.36		
EMCAD - Mayfair	Fence	7,920.00		
EMCAD - Mayfair	Pump House Building	16,319.69		
EMCAD - Mayfair	Jet Trailer	\$ 16,881.00	\$	647,881.82
Sugartree	VFD for Clarifier	\$ 4,181.03		
Sugartree	New Clarifier	66,565.00		
Sugartree	Capitalized Maintenance	60,664.11		
Sugartree	Mission Units	\$ 4,143.54	\$	135,553.68
Orbit - Angle Acres	Fencing	\$ 15,830.00	\$	15,830.00
Orbit - Beechwood	Fencing	\$ 12,269.32		
Orbit - Beechwood	Chemical Feed System	\$ 5,572.73	\$	17,842.05
Bolivar	Capitalized Maintenance	\$ 6,008.00	\$	6,008.00



Beaumont Place Danvers - Before



Beaumont Place Danvers - After



Colony Cove - Before



Colony Cove - After



Mark V - Before



Mark V - After



Meadowlake - Before



Meadowlake - After



Spring Forest - Before



Spring Forest - After



Mobile Pump House Trailer



Mobile Pump House Trailer



Mobile Pump House Trailer



Mobile Pump House Trailer

**Undine Texas, LLC - Community Systems
Capital Spending - Actual and Projected**

<u>Water CapEx</u>	<u>CapEx</u>
Total Community CapEx:	575,562.94
Total Water CapEx:	<u>\$ 575,562.94</u>

<u>System Name</u>	<u>Project</u>	<u>CapEx</u>	<u>System CapEx</u>
<u>Water</u>			
Community-Forest Manor	Demolition/Site Prep	\$ 10,000.00	
Community-Forest Manor	Well Testing	20,000.00	
Community-Forest Manor	2,000 Gal PST	36,000.00	
Community-Forest Manor	43,000 Gal GST	44,000.00	
Community-Forest Manor	Building-Pump House	50,000.00	
Community-Forest Manor	Chemical Feed System	537.94	
Community-Forest Manor	Manganese Removal System	25,000.00	
Community-Forest Manor	Electrical	7,000.00	
Community-Forest Manor	Site Work, Yard Piping, Fencing	25,000.00	
Community-Forest Manor	Land Surveying / SCE / Land	712.50	
Community-Forest Manor	PH Electrical Transfer Switch	7,000.00	
Community-Forest Manor	Pump House Contingency	\$ 19,200.00	\$ 244,450.44
Community-Heathergate	Demolition/Site Prep	\$ 10,000.00	
Community-Heathergate	Drill New Well	150,000.00	
Community-Heathergate	2,500 Gal PST	30,000.00	
Community-Heathergate	32,000 Gal GST	39,000.00	
Community-Heathergate	Building-Pump House	50,000.00	
Community-Heathergate	Manganese Sequestering System	15,000.00	
Community-Heathergate	Site Work, Yard Piping, Fencing	25,712.50	
Community-Heathergate	PH Electrical Transfer Switch	7,000.00	
Community-Heathergate	Pump House Contingency	\$ 4,400.00	\$ 331,113

DOCKET NO. 50200

APPLICATION OF UNDINE TEXAS	§	BEFORE THE
LLC FOR AUTHORITY TO CHANGE	§	PUBLIC UTILITY COMMISSION
RATES	§	OF TEXAS

DIRECT TESTIMONY

OF

GEORGIA N. CRUMP

ON BEHALF OF

UNDINE TEXAS, LLC

DECEMBER 20, 2019

**DIRECT TESTIMONY OF
GEORGIA N. CRUMP**

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1 proceedings in my over forty years of experience as an attorney. A copy of my
2 biography is attached to my testimony as Attachment A.

3 **II. PURPOSE AND SCOPE**

4 **Q. WHAT IS THE PURPOSE AND SCOPE OF YOUR TESTIMONY IN THIS**
5 **PROCEEDING?**

6 A. The purpose of my testimony is to present expert opinion testimony concerning the
7 reasonableness of the rate case expenses Undine incurred in preparing and
8 prosecuting this rate application.

9 Reimbursable rate case expenses were incurred by Undine before the Rate
10 Application was filed with the Commission, beginning in February 2019. Undine is
11 requesting reimbursement of all reasonable rate case expenses. My testimony
12 supports the reasonableness of the legal expenses incurred by Undine regarding the
13 rate application proceeding at the Commission. My testimony also provides the legal
14 support under which Undine is seeking to recover its non-legal and non-consultant
15 rate case expenses, as supported by the Direct Testimony of Don Clayton. The direct
16 testimony of Mr. Clayton explains how Undine proposes to recover rate case
17 expenses, including information concerning all the allocations of expenses.

18 **Q. ARE YOU SPONSORING ANY SCHEDULES?**

19 A. No.

20 **III. RECOMMENDATIONS**

21 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

22 A. Based upon my review, I recommend that Undine be allowed to recover the
23 reasonable and necessary legal and consultant rate case expenses of \$95,571.00 as of

1 November 30, 2019, plus the supplemental amount that will be provided upon
2 settlement or at hearing, pursuant to Texas Water Code Ann. §§ 13.183, 13.185, and
3 13.1871, and 16 Texas Administrative Code (TAC) § 24.44.

4 **Q. PLEASE DESCRIBE THE PROCESS YOU UNDERTOOK TO REACH**
5 **YOUR CONCLUSION.**

6 A. Based on my experience and education, and following a thorough and critical review
7 of all of the relevant information, I concluded that the reasonable and necessary
8 Undine rate case expenses for legal and consultant services as of November 30, 2019,
9 is \$95,571.00. I recommend that the Commission find this amount to be the
10 reasonable and necessary reimbursable legal rate case expense for Undine in this
11 proceeding.

12 Undine engaged the services of Lloyd Gosselink for this rate application in
13 February 2019. I have directed the work performed by Lloyd Gosselink employees
14 on behalf of Undine since that time. I have reviewed the billings of Lloyd Gosselink
15 submitted to Undine for legal services from February 2019, through November 2019,
16 in connection with Undine's proposed rate increase. I affirm that those billings
17 accurately reflect the time spent and expenditures incurred by Lloyd Gosselink on
18 Undine's behalf. Those billings were accurately calculated before they were tendered
19 and did not include any double billing. None of the charges billed to Undine have
20 been recovered through reimbursement for other expenses.

1 **Q. WERE ANY OF THE FEES PAID, TASKS PERFORMED, OR TIME SPENT**
2 **ON A TASK EXTREME OR EXCESSIVE?**

3 A. No. The expenses charged were associated with the review and prosecution of
4 Undine's rate application and were necessary to advise Undine and to accomplish
5 tasks in the rate proceeding. For the period February 2019, through November 2019,
6 Lloyd Gosselink billed \$46,071.00 for legal services in connection with Undine's
7 proposed rate increase. This figure includes legal fees and expenses. The fees and
8 expenses were necessary and for the legal representation of Undine. The legal work
9 included advising Undine on rates, review of the application, preparation of
10 pleadings, review and preparation of evidentiary exhibits, and preparation of
11 testimony to be submitted for the rate application to be filed with the Commission.

12 The attorneys' hourly rates of \$265 to \$390, upon which the billings are
13 based, are the same hourly rates charged other clients for comparable services during
14 the same time frame. Our firm's hourly rates are at the lower end of the range
15 compared to the rates charged by other lawyers with similar experience providing
16 similar services. To minimize expenses, I used associates and paralegals where
17 possible because of their lower billing rates. In assigning the tasks to attorneys, I
18 ensured that the attorneys did not duplicate the work of one another. The hours spent
19 to perform the tasks assigned to Lloyd Gosselink were necessary to complete those
20 tasks in a professional manner and on a timely basis. All of the work performed by
21 Lloyd Gosselink to date was accomplished primarily by just two lawyers. My many
22 years of experience participating in utility rate cases aid in our efforts to keep rate
23 case expenses reasonable.

1 The invoices submitted by Lloyd Gosselink include a description of services
2 performed and time expended on each activity. The invoices dated from April 5,
3 2019, through December 9, 2019, for this proceeding are attached to my testimony as
4 Attachment B. Lloyd Gosselink has documented all charges with time sheets,
5 invoices, and records.

6 **Q. WERE THE EXPENSES INCURRED FOR LODGING, MEALS AND**
7 **BEVERAGES, TRANSPORTATION, OR OTHER SERVICES OR**
8 **MATERIALS EXTREME OR EXCESSIVE?**

9 A. No. Neither Lloyd Gosselink nor any consultants for Undine have charged for luxury
10 items, including first-class airfare, limousine service, entertainment, or alcoholic
11 beverages. No meals were charged in excess of \$25 per person, and no individual
12 billed for more than 12 hours per day. The documentation in this case is similar to
13 that provided in many previous rate cases before the Commission.

14 **Q. DID YOU DETERMINE WHETHER THERE WAS ANY DUPLICATION OF**
15 **SERVICES OR TESTIMONY?**

16 A. I did not find any such duplication of either services or testimony.

17 **Q. IN THE APPLICATION, HAS UNDINE PROPOSED TREATMENT OF ANY**
18 **ISSUE THAT HAS NO REASONABLE BASIS IN LAW, POLICY, OR FACT,**
19 **OR THAT WAS NOT WARRANTED BY ANY REASONABLE ARGUMENT**
20 **FOR THE EXTENSION, MODIFICATION, OR REVERSAL OF**
21 **COMMISSION PRECEDENT?**

22 A. No. In my opinion, Undine's proposals in its Application have a reasonable basis in
23 law, policy, or fact.

1 Q. WHAT IS YOUR OPINION AS TO THE RATE CASE EXPENSES AS A
2 WHOLE, WITH REGARD TO BEING DISPROPORTIONATE, EXCESSIVE,
3 OR UNWARRANTED IN RELATION TO THE NATURE AND SCOPE OF
4 THE RATE CASE AS DESCRIBED IN THE COMMISSION'S RULE AT
5 16 TAC § 24.44(b)(5)?

6 A. The Commission's rule on proportionality, at 16 TAC § 24.44(b)(5), directs the
7 Commission to weigh the size of the utility and number and type of consumers
8 served, the amount of money or value of property or interest at stake, the novelty or
9 complexity of the issues addressed, the amount and complexity of discovery, and the
10 occurrence and length of a hearing. To-date, there have been no expenses incurred as
11 a result of discovery or a hearing; the reasonableness of additional expenses
12 associated with those activities must necessary be addressed at a later time.

13 With regard to the other criteria, in my opinion, the current amount requested
14 for legal expenses of \$46,071.00 is reasonable given the complexity of this case. As
15 described by Mr. Wallace in his testimony, Undine is proposing combined tariffs for
16 64 newly-acquired water systems and 9 newly-acquired sewer systems, with a total of
17 over 8,000 customers, combined. The capital infusion by Undine into upgrading the
18 quality of these systems to improve the service to the customers exceeds \$6 million.
19 The amount of research and analysis to develop the schedules required to accomplish
20 this combination and to establish rate base for such a complex filing clearly support
21 the rather modest level of rate case expenses included in the application.

22 In my opinion, the expenses claimed by Undine meet the proportionality test
23 set out in the Commission's rule.

1 **Q. DOES UNDINE’S RATE APPLICATION INCLUDE ANY NOVEL OR**
2 **DIFFICULT ISSUES THAT A TYPICAL WATER UTILITY APPLICATION**
3 **DOES NOT INCLUDE?**

4 A. The preparation of Undine’s Rate Application included a novel, difficult, and
5 complex issue: Undine has recently acquired numerous water and wastewater systems
6 and is requesting consolidated rates of multiple water and wastewater utility systems.

7 **Q. ARE THE LEGAL EXPENSES THAT UNDINE IS SEEKING TO RECOVER**
8 **JUST, REASONABLE, NECESSARY, AND IN THE PUBLIC INTEREST?**
9 **PLEASE EXPLAIN.**

10 A. Yes. The legal expenses that Undine seeks to recover are just, reasonable, necessary,
11 and in the public interest. An investor-owned utility (IOU) such as Undine cannot
12 change its rates to allow it to recover its reasonable expenses and earn a reasonable
13 return on its investment unless a rate change application is prepared. Recovery of
14 reasonable and necessary legal expenses associated with preparation of a rate
15 application have long been recoverable, is allowed by Commission rule, and is
16 authorized by Texas Water Code Ann. § 13.185(g). For the reasons I mentioned
17 above, it was reasonable and necessary for Undine to seek legal advice and assistance
18 in the preparation of Undine’s Rate Application, the time spent was reasonable and
19 necessary, and the hourly rates charged are reasonable.

20 **Q. WAS IT REASONABLE AND NECESSARY FOR UNDINE TO INCUR**
21 **LEGAL EXPENSES TO PREPARE PREFILED DIRECT TESTIMONY?**

22 A. Yes. The Commission’s rules at 16 TAC § 24.27(b)(4) recognize the complexities
23 that may be involved in the preparation of a rate application for Class B utilities such

1 as Undine, and expressly provides that pre-filed direct testimony may be submitted
2 with the rate application. Although the preparation of pre-filed testimony is time-
3 consuming, such testimony is required to provide a robust, detailed explanation of
4 Undine's rate application to Commission Staff, Office of Public Utility Counsel, and
5 the ratepayers in light of the multiple, complex legal issues involved, which are
6 discussed above. Preparation of pre-filed testimony requires a substantial amount of
7 legal guidance, and provides a robust, detailed explanation of Undine's rate
8 application.

9 **Q. DID UNDINE INCUR ANY CONSULTANT EXPENSES IN THIS RATE**
10 **CASE?**

11 A. Yes. Undine incurred the expenses associated with Donald J. Clayton, Principal and
12 Chief Financial Officer at Tangibl Group, Inc.

13 **Q. ARE THE CONSULTANT EXPENSES FOR DON CLAYTON INCURRED IN**
14 **THIS RATE CASE REASONABLE AND NECESSARY?**

15 A. Yes. The fixed fee arrangement of \$55,000.00 for preparation of the Rate
16 Application is reasonable. Based on my years of experience working with utility
17 consultants, Mr. Clayton's fixed fee and his hourly rate of \$250 are comparable to
18 rates charged by consultants with similar levels of expertise and experience as Mr.
19 Clayton. The amount requested for consultant expenses of \$49,500.00, as of the date
20 of filing, is reasonable. The consultant expenses will be supplemented upon
21 settlement or at the hearing on the merits.

22 **Q. DOES UNDINE INTEND TO RECOVER ITS RATE CASE EXPENSES?**

23 A. Yes.

1 **Q. HOW DOES UNDINE INTEND TO RECOVER ITS RATE CASE**
2 **EXPENSES?**

3 A. Rate case expenses (legal, consultants, and non-legal/non-consultants) are non-
4 recurring expenses and are generally recovered through a surcharge on customers'
5 bills; that is what Undine is requesting in this case. Undine proposes to recover
6 reasonable and necessary rate case expenses through a surcharge assessed over a
7 24-month period.

8 Water utilities are permitted to recover their reasonable expenses, including
9 rate case expenses, from their customers pursuant to Texas Water Code Ann.
10 §§ 13.183, 13.185, and 13.1871, and 16 TAC § 24.44. Therefore, I recommend that
11 Undine be permitted to recover through a surcharge its reasonable legal and
12 consultant rate case expenses. Undine anticipates that it will incur additional attorney
13 fees associated with its rate application, especially if a contested case hearing is
14 conducted, and reserves the right to request additional incurred rate case expenses at
15 the appropriate time.

16 **IV. CONCLUSION**

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

18 A. Yes, it does. I reserve the right to make corrections, revisions, or deletions at the time
19 of settlement or a hearing on the merits.



GEORGIA N. CRUMP PRINCIPAL

gcrump@lglawfirm.com | 512.322.5832



Georgia chairs the firm's Energy and Utility Practice Group, focusing her practice on utility and telecommunications issues, and municipal law. She represents both private and municipal clients and has been actively involved in municipal law and utility administrative law throughout her legal career.

Her substantial experience includes representing individual cities and coalitions of municipalities at the Railroad Commission of Texas and the Public Utility Commission, representing publicly- and privately-owned water and wastewater utilities at the Public Utility Commission, advising municipalities in multiple issues affecting the management of public rights-of-way, and assisting municipalities in gas and electric franchise negotiations and renewals.

PRACTICE AREAS

- Energy and Utility
- Water
- Municipal Law

PROFESSIONAL LICENSES & EDUCATION

- Admitted to State Bar of Texas (1978)
- J.D., Baylor University, Waco, Texas (1978)
- A.B., Muhlenberg College, Allentown, Pennsylvania (1975)

REPRESENTATIVE EXPERIENCE

- Advising and representing municipalities as regulatory authorities in rate matters affecting retail gas and electric utilities and in proceedings at the Railroad Commission of Texas and the Public Utility Commission of Texas.
- Assisting landowners and governmental entities in affecting the routing of electric transmission facilities by the Public Utility Commission of Texas.
- Advising and representing publicly- and privately-owned water and wastewater utilities in regulatory and ratemaking matters.
- Advising and representing electric cooperatives and municipally owned electric utilities in various contested case matters and rule-making proceedings at the Public Utility Commission of Texas, and in granting and regulating access to utility facilities by other entities, including telecommunications and wireless network providers.
- Assisting municipalities in Texas and other states in developing and implementing franchising and right-of-way management practices relating to gas, electric, cable, and telecommunications entities, including:
 - Municipal leasing of dark fiber facilities;
 - Agreements with Network Node providers for access to municipally-owned facilities;
 - Development of right-of-way management practices and ordinances;
 - Development and negotiation of franchise agreements with gas, electric, cable, and telecommunications providers;
 - Development and negotiation of utility service agreements for the provision of water and wastewater services, both wholesale and retail;
 - Representation of coalitions of municipalities in gas distribution and electric utility rate cases; and
 - Representation of municipal utilities and customer groups in water and wastewater rate cases.

PUBLICATIONS AND PRESENTATIONS

- Author, "S.B. 1004 – A Comprehensive Overview," Texas Municipal League Workshop on Small Cell Nodes – Understanding City Authority, February 9, 2018.
- Author, "Preparing for Small Cell Wireless Deployments," Texas Association of Telecommunications Officers and Advisors Conference, November 2, 2017.
- Author, "Implementation of S.B. 1004 – What Can/Must a City Do?" Texas Municipal League Annual Conference, October 5, 2017.
- Author, "Legislative Update: Utilities," Texas Municipal Clerks Certification Program, August 17, 2017.
- Presenter, "Recent Developments in the Regulatory Arena: Use of a Municipality's Public Rights of Way," University of Texas School of Law Continuing Legal Education Land Use Conference, April 6, 2017.
- Author, "DAS and Rights-of-Way Licensing," Texas City Attorneys Association Summer Conference, June 16, 2016.
- Author, "PUC Regulatory Update," Texas Rural Water Conference, March 23, 2016.
- Author, "Licensing Municipal Rights-of-Way for Wireless Antenna Installations in Smaller Local Markets: Framework for Development of a Win-Win Agreement," Texas Association of Telecommunications Officers and Advisors Conference, October 15, 2015.
- Author, "Legislative Update: Environment and Utilities," Texas Municipal Clerks Certification Program, August 20, 2015.
- Author, "State Utility Issues Update," Texas City Attorneys Association Summer Conference, June 17, 2015.
- Author, "Legislative Update," Austin Bar Association Administrative Law Section, June 26, 2015.
- Author, "Water Rates and Impact Fees," TexasBarCLE 15th Annual Changing Face of Water Rights Course, February 28, 2014.
- Co-Author, "Changes to the Economic Regulation of Water and Sewer Utilities Wrought by the 83rd Legislature," Confluence, Texas Water Conservation Association, Fall 2013.
- Managing Editor, The Lone Star Current, 2002-2016, a quarterly publication of Lloyd Gosselink.
- Author, "Understanding Utility Easements and Rights-of-Way," Texas Land Boundaries and Access Rights, Halfmoon Education, July 26, 2013.
- Co-author of the TATO Utility Facilities Relocation Manual, Texas Association of Telecommunications Officers and Advisors Annual Conference, October 26, 2012.
- Co-author, "Developments at the PUC, RRC, and TWDB" Texas City Attorneys Association Summer Conference, June 20, 2010.
- Author, "Placement and Regulation of Cell Towers: What are the Limits?" University of Texas Land Use Conference, March 26, 2010.

HONORS & AWARDS

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- Best Attorneys in Texas 2012, by Best Lawyers
- Top Lawyers 2011 by Corporate Counsel

PROFESSIONAL ASSOCIATIONS AND MEMBERSHIPS

- State Bar of Texas
- American Bar Association
- Austin Bar Association
- Texas City Attorneys Association
- International Municipal Lawyers Association
- National Association of Telecommunications Officers and Advisors
- Texas Association of Telecommunications Officers and Advisors



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 Facsimile: (512) 472-0532
 www.lglawfirm.com

April 5, 2019

Undine LLC
 Attn Carey Thomas
 and Mike Ashfield
 17681 Telge Road
 Cypress, TX USA 77429

Invoice: 97500292
 Client: 3799
 Matter: 4
 Billing Attorney: GNC

INVOICE SUMMARY

For professional services and disbursements rendered through March 31, 2019:

RE: 2019 Rate Case

Professional Services	\$ 7,011.00
Total Disbursements	<u> \$.00</u>
TOTAL THIS INVOICE	\$ 7,011.00

Lloyd Gosselink Rochelle & Townsend, P.C.

Undine LLC
2019 Rate Case
I.D.3799-4-GNC

April 5, 2019
Invoice: 97500292

PROFESSIONAL SERVICES RENDERED

Date	Atty	Description Of Services Rendered	Hours
2/04/19	GNC	Review draft email for appointments. (Administration)	.30
2/04/19	JLM	Telephone call with C. Thomas regarding Commissioner meetings; confer with S. Weaver regarding same; draft email to Commissioners; telephone call with R. Melcher regarding municipality jurisdiction; follow-up correspondence regarding same. (Administration)	1.80
2/04/19	SJW	Call PUC to set up meetings with Commissioners. (Administration/Case Management)	.20
2/05/19	JLM	Scheduling meetings with Commissioners; correspondence and telephone calls with C. Thomas regarding same. (Administration)	2.00
2/05/19	SJW	Place Commissioner meetings on calendar. (Administration/Case Management)	.10
2/06/19	JLM	Review Undine's materials in advance of meeting with Commissioners; confer with G. Crump regarding same. (Administration)	.60
2/06/19	SJW	No Charge - Print presentation materials for G. Crump; update summary chart.	.20
2/07/19	JLM	Telephone call with R. Melcher regarding Commissioner presentations; follow-up correspondence regarding same. (Administration)	.60
2/13/19	GNC	Review SB 700; telephone call with T. Brewer regarding same; correspondence to client regarding same. (Administration) 1.0 (Administration) .10 (Taxes)	.70
2/19/19	GNC	Review rules and statutes; telephone call with S. Mack (PUC) regarding tax issues.	1.10
2/19/19	GNC	Office conference with J. Mauldin regarding rate issues for Undine; review rules and forms. (Administration)	1.80
2/19/19	WAF	Office conference with G. Crump regarding rate making issues. (Administration)	.30
2/19/19	JLM	Review PUC substantive rules for water rate filing and cost of service; review questions from B. Wilkinson; meeting with G. Crump regarding same. (Administration)	4.00
2/19/19	SJW	Research rate cases for G. Crump. (Administration)	1.00
2/22/19	JLM	Review Undine organization charts and Company documents. (Administration)	.40
3/05/19	GNC	Telephone call with R. Melcher, B. Wilkinson and J. Mauldin regarding rate filing issues. (Administration)	1.90
3/05/19	JLM	Telephone call with R. Melcher, B. Wilkinson and G. Crump regarding outstanding issues for upcoming rate cases. (Administration)	1.90
3/06/19	WAF	Office conference with G. Crump regarding tariff issues. (Administration)	.20
3/12/19	GNC	Office conference with C. Faulk regarding rate issues; review rules and filing requirements. (Administration)	1.20
3/12/19	WAF	Office conference with G. Crump regarding rate filing package requirements. (Administration)	4.00
3/25/19	GNC	Correspondence with S. Mack (PUC) regarding meeting. (Administration)	.20
3/29/19	GNC	Review list of questions for PUC staff. (Administration)	.30
3/29/19	JLM	Telephone calls and correspondence with PUC Staff and C. Thomas scheduling meeting to discuss rate case questions; revise list of questions for meeting. (Administration)	2.10

TOTAL PROFESSIONAL SERVICES

\$ 7,011.00

Lloyd Gosselink Rochelle & Townsend, P.C.

Page|2

Lloyd Gosselink Rochelle & Townsend, P.C.

Undine LLC
 2019 Rate Case
 I.D.3799-4-GNC

April 5, 2019
 Invoice: 97500292

SUMMARY OF PROFESSIONAL SERVICES

Name	Staff Level	Rate	Hours	Amount	N/C Hr	N/C \$
Georgia N Crump	Principal	390.00	7.50	2,925.00	.00	.00
William A Faulk III	Associate	265.00	.90	238.50	.00	.00
Jamie L Mauldin	Associate	275.00	13.40	3,685.00	.00	.00
Sam J Weaver	Paralegal	125.00	1.30	162.50	.20	25.00
TOTALS			23.10	\$ 7,011.00	.20	\$ 25.00

TOTAL THIS INVOICE

\$ 7,011.00



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May 6, 2019

Undine LLC
 Attn Carey Thomas
 and Mike Ashfield
 17681 Telge Road
 Cypress, TX USA 77429

Invoice: 97500658
 Client: 3799
 Matter: 4
 Billing Attorney: GNC

INVOICE SUMMARY

For professional services and disbursements rendered through April 30, 2019:

RE: 2019 Rate Case

Professional Services	\$ 3,537.50
Total Disbursements	<u> \$.00</u>
TOTAL THIS INVOICE	\$ 3,537.50

Lloyd Gosselink Rochelle & Townsend, P.C.

Undine LLC
 2019 Rate Case
 I.D.3799-4-GNC

May 6, 2019
 Invoice: 97500658

PROFESSIONAL SERVICES RENDERED

Date	Atty	Description Of Services Rendered	Hours
4/01/19	GNC	Prepare for meeting with PUC Staff; review schedules. (Administration)	.90
4/02/19	GNC	Telephone call with R. Melcher regarding meeting with PUC Staff; prepare for meeting; review list of questions and rate schedules; review rules. (Administration)	1.80
4/02/19	JLM	Telephone call with R. Melcher regarding upcoming meeting with PUC Staff.(Administration)	10
4/03/19	GNC	Meeting with PUC Staff regarding rate issues; research regarding capital structure in water cases. 1.9 (Capital Structure) 3.0 (Administration)	4.90
4/08/19	GNC	Correspondence with B. Wilkinson regarding rate issues. (Administration)	.30
4/10/19	GNC	Research regarding tax issue for LLC; correspondence regarding proposed annual report changes. 1.0 (Taxes) .10 (Administration)	1.10

TOTAL PROFESSIONAL SERVICES \$ 3,537.50

SUMMARY OF PROFESSIONAL SERVICES

Name	Staff Level	Hours	Rate	Total
Georgia N Crump	Principal	9.00	390.00	3,510.00
Jamie L Mauldin	Associate	.10	275.00	27.50
TOTALS		9.10		\$ 3,537.50

TOTAL THIS INVOICE \$ 3,537.50



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August 5, 2019

Undine LLC
Attn Carey Thomas
and Mike Ashfield
17681 Telge Road
Cypress, TX USA 77429

Invoice: 97502689
Client: 3799
Matter: 4
Billing Attorney: GNC

INVOICE SUMMARY

For professional services and disbursements rendered through July 31, 2019:

RE: 2019 Rate Case

Professional Services	\$ 1,204.00
Total Disbursements	<u> \$.00</u>
TOTAL THIS INVOICE	\$ 1,204.00



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October 7, 2019

Undine LLC
 Attn Carey Thomas
 and Mike Ashfield
 17681 Telge Road
 Cypress, TX USA 77429

Invoice: 97504899
 Client: 3799
 Matter: 4
 Billing Attorney: GNC

INVOICE SUMMARY

For professional services and disbursements rendered through September 30, 2019:

RE: 2019 Rate Case

Professional Services	\$ 1,057.50
Total Disbursements	<u> \$.00</u>
TOTAL THIS INVOICE	\$ 1,057.50

Lloyd Gosselink Rochelle & Townsend, P.C.

Undine LLC
2019 Rate Case
I.D.3799-4-GNC

October 7, 2019
Invoice: 97504899

PROFESSIONAL SERVICES RENDERED

Date	Atty	Description Of Services Rendered	Hours
9/13/19	GNC	Correspondence with client on issues related to rate filing; office conference J. Mauldin regarding same. (Administration)	2.50
9/13/19	JLM	Discussion with G. Crump regarding questions from B. Wilkinson regarding rate case filing. (Administration)	.30

TOTAL PROFESSIONAL SERVICES **\$ 1,057.50**

SUMMARY OF PROFESSIONAL SERVICES

Name	Staff Level	Hours	Rate	Total
Georgia N Crump	Principal	2.50	390.00	975.00
Jamie L Mauldin	Associate	.30	275.00	82.50
TOTALS		2.80		\$ 1,057.50

TOTAL THIS INVOICE **\$ 1,057.50**



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November 6, 2019

Undine LLC
Attn Carey Thomas
and Mike Ashfield
17681 Telge Road
Cypress, TX USA 77429

Invoice: 97505012
Client: 3799
Matter: 4
Billing Attorney: GNC

INVOICE SUMMARY

For professional services and disbursements rendered through October 31, 2019:

RE: 2019 Rate Case

Professional Services	\$ 6,463.00
Total Disbursements	<u> \$.00</u>
TOTAL THIS INVOICE	\$ 6,463.00

Lloyd Gosselink Rochelle & Townsend, P.C.

Undine LLC
2019 Rate Case
I.D.3799-4-GNC

November 6, 2019
Invoice: 97505012

PROFESSIONAL SERVICES RENDERED

Date	Atty	Description Of Services Rendered	Hours
10/11/19	GNC	Review PUC video regarding pre-filing conferences with Commissioners; memo to J. Mauldin. (Administration)	.30
10/16/19	JLM	Watch PUC open meeting; confer with G. Crump and L. Townsend regarding whether to schedule meetings with Commissioners regarding Undine operation set-up; follow-up correspondence regarding same. (Administration)	.80
10/21/19	JLM	Research rate case expenses for application; begin drafting email to B. Wilkinson regarding same. (Administration)	2.90
10/22/19	GNC	Office conference with J. Mauldin regarding rate case expenses and communication with client regarding filing. (Administration)	.50
10/22/19	JLM	Continue researching rate case expense rule; confer with G. Crump regarding same; continue drafting email to B. Wilkinson regarding rule change and rate filing requirements. (Administration)	2.90
10/23/19	JLM	Correspondence with Undine regarding scheduling call. (Administration)	.20
10/30/19	GNC	Telephone call with client and J. Mauldin regarding rate case preparations; review rules and filing package to respond to client questions. (Administration)	2.90
10/30/19	WAF	Office conference with J. Mauldin and G. Crump regarding rate filing package.	.50
10/30/19	JLM	Correspondence regarding scheduling call to discuss rate case filing; prepare agenda for call; telephone call with client and G. Crump; follow-up call with B. Wilkinson; follow-up discuss with G. Crump and S. Weaver. (Administration)	4.70
10/30/19	SJW	Research Class B RFP requirements; call Commissioners' offices for available meeting times. (Administration)	.80
10/31/19	JLM	Research prior Class B rate filings; create list of topics for testimony; confer with G. Crump regarding same; review template for draft testimony. (Administration)	5.50
10/31/19	SJW	Draft request for docket number; call with Chairman Walker's Office and Commission D'Andrea's Office regarding available meeting times; research Quadvest and Aqua's tariffs. (Administration)	.90

TOTAL PROFESSIONAL SERVICES

\$ 6,463.00

SUMMARY OF PROFESSIONAL SERVICES

Name	Staff Level	Hours	Rate	Total
Georgia N Crump	Principal	3.70	390.00	1,443.00
William A Faulk III	Associate	.50	265.00	132.50
Jamie L Mauldin	Associate	17.00	275.00	4,675.00
Sam J Weaver	Paralegal	1.70	125.00	212.50
TOTALS		22.90		\$ 6,463.00

Lloyd Gosselink Rochelle & Townsend, P.C.

Undine LLC
2019 Rate Case
I.D.3799-4-GNC

November 6, 2019
Invoice: 97505012

TOTAL THIS INVOICE

\$ 6,463.00