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**WITNESS FOR RATEPAYERS REPRESENTATIVES OF THE
WINDERMERE OAKS WATER SUPPLY CORPORATION
PATTI FLUNKER**

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PUC DOCKET NO. 50788
SOAH DOCKET NO. NO. 73-20-4071.WS

RATEPAYERS APPEAL OF THE	§	BEFORE THE STATE OFFICE
DECISION BY WINDERMERE	§	
OAKS WATER SUPPLY	§	OF
CORPORATION TO CHANGE	§	
WATER AND SEWER RATES	§	ADMINISTRATIVE HEARINGS

DIRECT TESTIMONY OF PATTI FLUNKER

I. INTRODUCTION, POSITION, AND QUALIFICATIONS

Q Please state your name and address

A. Patti Flunker, 307 Coventry Road, Spicewood, Texas 78669

Q Please describe your education and professional background

A. Bachelor of Arts, Sam Houston State University, Advanced Paralegal Certificate Austin, Community College, Masters of Art Program Legal Studies, Texas State University. Employed at Texas Reliability Entity as an Enforcement Analysis. In this position administered risk assessment analysis of registered entity submittals of potential noncompliance issues with the North American Electric Reliability Corporation (NERC) Standards affecting the Texas Bulk Electric System. Recently moved over to the Legal Department supporting the General Counsel and Deputy General Counsel in various legal capacities.

Previously employed at Texas Rural Water Association (TRWA) as a Paralegal. Supported the Executive Director, Assistant General Counsel, TRWA Staff and over 700+ members of the association which included many water supply corporations and water districts.

1 Responsibilities in this position included; initiating and developing policy revisions for
2 association publications including tariffs, personal policy, board and election procedures
3 utilized water systems. Collaborated with staff attorneys regarding resolutions to legal
4 issues with utility members specific to operations, governance and regulatory
5 requirements. Research and developed Federal Appropriation request for USDA Funding
6 of rural water programs in Texas including the Circuitry Rider program which provides free
7 rate assistance to water systems in Texas and developed member question database to
8 provide specific analysis on common legal issues applicable to rural water systems.

9 Q Please describe your involvement with this rate appeal case.

10 A. Ratepayer Representative

11 B. Have you ever provided testimony in a Public Utility Commission rate appeal case?

12 A. No

13 II. PURPOSE OF TESTIMONY

14 Q Please describe whose behalf you are testifying?

15 A. I am providing direct testimony on behalf of the WOWSC Ratepayers

16 Q What is the purpose of your testimony?

17 A. The purpose of my testimony is to provide my experience working with rural water
18 systems, my knowledge of rate studies and my previous experience assisting the WOWSC.

19 Q What have you done to prepare for your testimony?

20 A. I have read all the testimony of submitted by the WOWSC

21 III. DIRECT TESTIMONY

22 Q How long have you been attending WOWSC board meetings?

1 A. I attending my first WOWSC meeting in 2006, however because the board typically would
2 hold their board meetings during working hours I was unable to attend these meetings
3 during the day, however when several years ago when the board began holding the
4 meetings at night I frequently attend these board meetings?

5 Q How long have you been a member of the WOWSC?

6 A. 15 years

7 Q How many homes do you own in the WOWSC service area?

8 A. Two

9 Q Do they have water service?

10 A. Yes

11 Q Do they have wastewater service?

12 A. No

13 Q Did you attend a WOWSC Hall Meeting on March 3, 2018 to discuss the water and sewer
14 rate increases for the 2018 rate increase?

15 A. Yes, I did attend. James Smith was in attendance and discussed the two separate rate
16 studies he had performed. He commented on keeping equity buy in fees in a separate
17 account which the WOWSC was not doing, to increase the equity buy in fees and the need
18 to do separate studies for water and wastewater. See attached agenda exhibit #2.

19 Q Have you ever recommended the WOWSC use TRWA for water and sewer rate study
20 services?

21 A. No

22 Q The WOWSC has claimed on numerous occasions in their newsletters and in this rate
23 appeal that you were instrumental in recommending the WOWSC use TRWA for their rate

1 studies back in 2018, do you know who actually has made the recommendations to the
2 WOWSC to use TRWA for rate studies?

3 A. Yes, Nathan Cantrell. He is a Wastewater Circuit Rider for TRWA and his wife does all
4 the billing for the WOWSC. Prior WOWSC RFI has stated this which I have submitted
5 evidence to dispute this claim.

6 Q Have you ever suggested to the WOWSC to use TRWA for their services?

7 A. Yes, I suggested they contact TRWA for assistance from a Wastewater Circuit Rider for
8 issues they had related to a community lift station in their service area.

9 Q What was the central issue with lift station?

10 A. The lift station was old and failing. The WOWSC was unsure of who was legally
11 financially responsible for the repairs or obtaining new lift station.

12 Q How did you assist the WOWSC to get this resolved expeditiously?

13 A. I prioritized this request from the then President Bob Mebane and current General Manager
14 George Burris due to the serious nature of the issue, that is the failing lift station. I had
15 conversations with the Director of Technical Services and attorneys at TRWA to get the
16 WOWSC the needed support to resolve this issue expeditiously by the most affordable
17 means. Mr. Burris communicated to me he was grateful that I was able to cut through the
18 red tape to get immediate assistance for the WOWSC.

19 Q Did you offer any other assistance to the WOWSC while you were working at TRWA as
20 a paralegal?

21 A. Yes, I recommended they adopt a conflict of interest policy as they were required to have
22 one per their bylaws, they had never adopted one. I sent Dorothy Taylor a sample conflict
23 of interest policy. I suggested the current CPA, Raven Herron, as the board for many years

1 had been doing their own financials and taxes. I recommend they open their meetings up
2 to the general public as required by the Texas Open Meetings Act, previously meetings
3 were held at a location not accessible to the general public. Suggested to hold the meeting
4 per the bylaws as the WOWSC had done for years, Mr. Gimenez in fact did follow this
5 recommendation for the 2020 annual meeting and election. Advised that the WOWSC
6 Bylaws membership fee conflicted with tariff membership fee, recommend to the board
7 back in 2017 required Texas Open Meetings Act training and to obtain a certificate of
8 completion and recommended detailed bulleted items on agenda for manager's report as
9 required by the Texas Open Meetings Act.

10 Q Did the WOWSC adopt your suggestions?

11 A. Yes, all of these suggestions were adopted/implemented by the WOWSC Board.

12 Q What did you do as a paralegal at TRWA?

13 A. The majority of my job included day to day telephone interaction with association
14 members, specifically board members and the operation staff of the water system.
15 Because TRWA has over 700 members and which most are located in rural areas of Texas
16 the majority of these water systems relied on the free TRWA Legal Support Staff to guide
17 them through the complicated issues with customers, members, employees and developers.
18 Many of these questions were related to rates and rate appeals, elections and board
19 governance.

20 Q Did you ever take calls for assistance with rate studies?

21 A. Yes. I would find out what their needs were and contact the appropriate circuit rider with
22 the relevant information, specifically their needs for just a water rate study or for a study
23 for water rates and one study for wastewater rates.

1 Q Were you familiar with the two different rate studies.

2 A. Yes, when employed at TRWA they used two different spreadsheets for the two different
3 types of study. TRWA has advocated in the past when I was employed there that water
4 and wastewater are two distinct types of service which cost should be broken out.¹

5 Q Does the TRWA water rate study and wastewater study have formulas in their
6 spreadsheets?

7 A. Yes

8 Q What is the difference in these two studies of TRWA?

9 A. While working at TRWA I understood that the water rate study required the water system
10 to determine how many gallons were pumped in one year and how many gallons of water
11 were billed to the customers for the test year. This also includes number of connections
12 typically and is for a 12-month period. The wastewater study requires the total number of
13 gallons treated and is often calculated by using the wastewater customers average winter
14 bill usage. See attached article of TRWA Circuit Rider on developing rates.²

15 Q Did the 2020 WOWSC rate study which is the subject of this rate appeal include this
16 formula?

17 A. No, the WOWSC did not include any number of gallons treated to determine their
18 wastewater rate?

19 Q When you were employed at TRWA did the WOWSC do a wastewater study in 2018 which
20 included total number of gallons treated to determine the wastewater rate?

21 A. Yes, please see attachment.³

¹ See exhibit #4 TRWA Larry Bell Technical Assistant Director/Ask Larry Q&A

² See exhibit #10 on TRWA Article on Developing Rates

³ See exhibit #9 TRWA WOWSC 2018 wastewater study

1 Q When you were at TRWA did the WOWSC do a water rate study?

2 A. Yes, see attachment⁴

3 Q When the WOWSC did the 2020 rate study for the combined water/wastewater study did
4 they use the identical methodology to determine the rates that they used in 2018?

5 A. No

6 Q If not, why methodology does it appear the WOWSC used to determine their water and
7 sewer rates?

8 A. Based on my inspection of the WOWSC 2020 water/wastewater study performed by
9 James Smith of TRWA the WOWSC included additional formulas which are not a part of
10 the TRWA water rate study spreadsheet which utilized when they determined the effective
11 rates. The ratepayers sent out a letter to the ratepayers with our interpretation of their
12 methodology.⁵

13 Q From your knowledge working at TRWA, does the utility typically have to enter into an
14 agreement with TRWA to have a rate study performed?

15 A. Yes, typically a Memorandum of Understanding is executed which essentially clarifies that
16 TRWA does not perform an audit of the systems books. They typically request budgets
17 and financials to determine the expenses to include in rates along with gallon usage of
18 water and wastewater.

19 Q In your professional opinion as someone who has worked with rural water systems and
20 rates as a paralegal at TRWA what are the issues you believe are problematic with the
21 methodology of the 2020 WOWSC rate study?

⁴ See exhibit # 7 TRWA WOWSC 2018 water rate study

⁵ See exhibit #3 Ratepayer Representatives Letter to WOWSC Ratepayers

1 A. Incorrect number customers applied in the rate study as evidenced in Mike Nelson's
2 testimony. The WOWSC did not use the correct number of connections for the rate study.
3 It appears there were 271 taps at the end of 2019, not 254 as the rate study suggest. Around
4 10% of customers do not have wastewater service. Number of gallons treated is not
5 incorporated into the water/wastewater study.

6 Q Are you aware of the methodology the WOWSC used beyond the TRWA rate study
7 methodology spreadsheet?

8 A. Yes, according to the WOWSC minutes from the February 2020 Annual Members
9 Meeting, the WOWSC stated the study performed by TRWA was only for water, however
10 upon review the rate study is a combine's water and wastewater expenses for 2019. The
11 WOWSC rate increase rationale can be decoded in their minutes. However, upon my
12 inspection of the minutes and the 2020 rate study it would appear the additionally
13 methodology used to increase rates by the WOWSC applied a methodology that doesn't
14 follow rate making methodology.⁶

15 Q How do you determine this?

16 A. This is what the General Manager who worked with TRWA on the 2020 rates study stated
17 in the official WOWSC minutes from February 2020.

18 Q Do these minutes state this was a rate study for water and wastewater rates or just for water?

19 A. The minutes state James Smith with TRWA only did a water rate study.

20 Q Did you make a public information request for the 2020 water and wastewater study
21 performed by TRWA? If so did you receive the requested documents.

⁶ https://www.wowsc.org/documents/778/2020-02-01_WOWSC_Annual_Board_Meeting_Minutes_Approved.pdf

1 A. Yes, I requested both studies assuming they did one for water and one for wastewater
2 similar to the 2018 rate study. I only received a water study. When asked for the
3 wastewater study Joe Gimenez stated in his email there were no responsive documents. I
4 never received a statement of document from Joe Gimenez, the public information officer
5 an answer to a copy of the wastewater study. In the documents that Mr. Gimenez sent
6 me, there is an email from George Burris WOWSC GM to Mr. Gimenez and Mike Nelson,
7 WOWSC Secretary and Treasurer that James Smith only performed a water rates study.
8 Mr. Burris does not acknowledge that all expense for water and sewer were used in this
9 one rate study. It appears he assumes they will need to modify the results to accommodate
10 for a sewer rate increase using the 60/40 rule. Attached are exhibits of my request and
11 Mr. Gimenez's answers.⁷

12 Q Are you aware that Board President, Joe Gimenez has developed a website called
13 *Spicewood News* to⁸ promote his position as the board president related to all WOWSC
14 litigation?

15 A. Yes

16 Q. While working at TRWA did you ever hear of board members getting their own website to
17 communicate the water utility news and updates on issues facing the water system.

18 A. Yes, I vaguely remember an issue when a board member without a board vote obtained a
19 website url and created a page to share information to the general public about the utility.
20 TRWA suggested the board member refrain from this action as the director was posting

⁷ #1 & #5 Exhibits of PIA Request for Rate Study

⁸ <http://spicewoodnews.com/response-to-taylor-on-nextdoor>
and exhibit #6 & #8

1 information that only a director would be privy to and so by obtaining this website he was
2 acting in the capacity of a director. The system already had a website to communicate to
3 the customers of the system updates and news related to the operation of the system. It
4 appears Mr. Gimenez has a comparable issue similar to this example. He obtained a
5 website independent of the WOWSC website to express information about the wowsc and
6 his position regarding the wowsc lawsuits and other issues.

7 Q Are there any postings on this website you consider improper on this website
8 concerning the PUC rate appeal?

9 Q Yes, Mr. Gimenez has posted on his website the statement "*Public Utility Commission*
10 *Rate Case — Ratepayer Representatives walked away from mediation in January. An*
11 *offer from the company for settlement in lower rates was ready but never entertained*
12 *by ratepayer reps Josie Fuller and Patti Flunker because they dropped out of*
13 *mediation. Case will continue through July. Ratepayer Reps can re-enter mediation to*
14 *consider offers of lower rates or drop the case to stop additional legal fees.*"⁹

15 Q Why do you consider this improper?

16 Q Mr. Gimenez decided to do a public broadcasting of the confidentiality of mediation,
17 specifically details which the ratepayers weren't even aware of, Mr. Gimenez now
18 carries the burden to put forth documentation supporting this statement that the
19 WOWSC intended to lower the rates as stated by Mr. Gimenez on his website.
20 Additionally, I am unaware of any conversations, filings, board votes etc., which has
21 been put forth by the WOWSC to lower the rates through additional mediation
22 opportunities as suggested in Mr. Gimenez' social media posting. The Ratepayers

⁹ <http://spicewoodnews.com/response-to-taylor-on-nextdoor>

1 definitely be requesting the documents to support Mr. Gimenez's claim the WOWSC
2 intended to lower the rates in mediation.

3 **IV. CONCLUSION**

4 Q Does this conclude your testimony?

5 A. Yes.

6 Q Is there anything else you would like to share?

7 A. Yes, Mr. Gimenez appears to contradict himself in his social posting on his website¹⁰.

8 On one had he proclaims the WOWSC intended to lower the rates and are open to re-
9 enter mediation with ratepayers to lower the rates so they don't have to continue legal
10 spending on this rate appeal case. Mr. Gimenez appears to threaten the ratepayers to
11 drop the case in the same statement that they can lower the rates. If the WOWSC has
12 the power to lower the rates, I sincerely hope they would put the best interest of the
13 ratepayers before their own by lower the rates to end the rate appeal case.

¹⁰ <http://spicewoodnews.com/response-to-taylor-on-nextdoor>

EXHIBIT 1

----- Forwarded Message -----

From: Joe Gimenez <1129jjg@gmail.com>
To: patti flunker <patriciaflunker@yahoo.com>
Sent: Wednesday, June 10, 2020, 1:21:45 PM CDT
Subject: Re: Public Information RequestI dont

Ms. Flunker,
We have responded appropriately from the beginning

We received one document from TRWA's James Smith which we have provided to you on two prior occasions, and now this, the third

We are taking the additional step of attaching the original email from the TRWA's James Smith transferring the Excel file, along with a note from our water manager George Burriss, regarding the fact that the analysis should be adjusted to reflect a 60-40 split, water to wastewater. These emails from George and James were not responsive documents to your request for an excel spreadsheet, but we hope they will dissuade you from costing us additional legal fees if you were to pursue your request with the Attorney General.

And please note that we have been compliant within the requirements for response from your initial request

Best regards,
Joe Gimenez

On Tue, Jun 9, 2020 at 4:02 PM patti flunker <patriciaflunker@yahoo.com> wrote.
This is my third request for the wastewater rate analysis/study that James Smith with Texas Rural Water Association prepared for the 2019/2020 Board of Directors and the Windermere Oaks Water Supply Corporation. If I do not receive my reply by the end of the week I will be filing a complaint with the Texas Attorney General Office.

You have been given a sufficient amount of time to produce these records which detail the TRWA wastewater rate analysis/study.

Patti Flunker

On Monday, June 8, 2020, 10:14:24 AM CDT, Joe Gimenez <1129jjg@gmail.com> wrote:

Ms. Flunker,
The responsive document is attached
Best regards,
Joe Gimenez

On Thu, Jun 4, 2020 at 11:49 PM patti flunker <patriciaflunker@yahoo.com> wrote
In my PI request you failed to return the wastewater rate analysis. Please provide this as soon as possible.

On Tuesday, February 18, 2020, 8:53:21 AM CST, Joe Gimenez <1129jjg@gmail.com> wrote

Ms. Flunker,
The responsive document is attached

Joe

On Mon, Feb 17, 2020 at 4:33 PM patti flunker <patriciaflunker@yahoo.com> wrote
This is a public information request for a copy of the TRWA rate study (in excel format) which was completed by James Smith for the rates that were approved at the February 2, 2020 WOWSC board meeting.

Patti Flunker

From: Joe Gimenez <1129jig@gmail.com>
To: patti flunker <patriciaflunker@yahoo.com>
Sent: Monday, June 8, 2020, 10:14:24 AM CDT
Subject: Re: Public Information Request

Ms. Flunker,
The responsive document is attached.
Best regards,
Joe Gimenez

On Thu, Jun 4, 2020 at 11:49 PM patti flunker <patriciaflunker@yahoo.com> wrote:
In my PI request you failed to return the wastewater rate analysis. Please provide this as soon as possible.

On Tuesday, February 18, 2020, 8:53:21 AM CST, Joe Gimenez <1129jig@gmail.com> wrote.

Ms. Flunker,
The responsive document is attached
Joe

On Mon, Feb 17, 2020 at 4:33 PM patti flunker <patriciaflunker@yahoo.com> wrote
This is a public information request for a copy of the TRWA rate study (in excel format) which was completed by James Smith for the rates that were approved at the February 2, 2020 WOWSC board meeting.

Patti Flunker

WINDERMERE OAKS WATER SUPPLY CORPORATION 424 COVENTRY ROAD, SPICEWOOD, TX 78669

NOTICE OF OPEN MEETING

By The Board of Directors of the

Windermere Oaks Water Supply Corporation

9:00 AM Saturday, MARCH 3, 2018

At the follow location: Spice wood Community Center 7901 CR 404 Spicewood 78669

This meeting has been called as a matter of public necessity and interest. To submit written statements, obtain copies of the agenda, and/or for further information, please call or write the Corporation at Windermere Oaks Water Supply Corporation, 424 Coventry Road, Spicewood, TX 78669.

Prepared February, 21, 2018 by Jeff Hagar, Secretary

TAKE NOTICE THAT A MEETING OF THE BOARD OF DIRECTORS OF THE WINDERMERE WATR SUPPLY CORPORATION will commence at the time and location noted above to consider and act upon any lawful subject which may come before it, including, among others, considering the adoption of resolutions and authorizing procedures in connection with the subjects listed below. This public meeting is being held pursuant to Texas Government Code §551.001 et seq. All actions and deliberations of the Board shall be made in an Open Meeting, unless taken in an Executive Session. In the event of a noticed Executive Session, no action will be taken by the Board, until the Board has closed the Executive Session and returned to the noticed Open Meeting. All meetings shall be recorded.

AGENDA:

1. Roll call and determination of a quorum.
2. Approval of minutes of prior meeting (February 8, 2018)
3. Manager's presentation of our guest James Smith with TRWA
 - James will discuss supply corporation history and the need to know the cost of owning and operating a water and sewer corporation, and the rates necessary to support and sustain the business.
 - James will review his worksheet analysis for both Water and Sewer and present the findings.
 - James will present the pros and cons of providing a range of water usage for a rate vs paying for the water you use
 - Open "Town Hall" style Q & A with James, the Board, and the members.
4. Discussion of the TRWA water and wastewater rate evaluation process and determination of rate change(s) for Board approval.
5. Discussion of 2018 Budget and Board approval.
6. Review of "old" business, introduction of "new" business.
7. Adjournment

Items 2 through 5 are posted for discussion and possible action by the Board. No action under Item 8 will be taken, unless the item in question has been noticed in a previous agenda and continued by the Board for action at this meeting.

From: **Josie Fuller** <ratepayersrepjosiefuller@gmail.com>
Date: Mon, Mar 22, 2021 at 12:02 AM
Subject: Second Update of the Rate Appeal at the PUC
To: Ratepayers Representative <ratepayersrepjosiefuller@gmail.com>

As promised we are passing on updates from the PUC Rate Appeal. Listed below is what we have discovered by the recent testimony of Joe Gimenez and Mike Nelson submitted to the PUC on March 10, 2021.

- Mike Nelson admitted in his testimony they made a mistake in the calculation of the 2020 rate study. Instead of using the correct number of taps which is 271 they used 253 to determine the new water and sewer rates. Had they used the correct number of 271 for the water rates, the rates would be much lower. Mr. Nelson goes on to say the mistake is tied to a carryover from the old 2018 water rate study which included 253 taps, however Mr. Nelson fails to review this study before submitting this testimony, the 2018 water rate study included only 240 taps not 253. Another mistake/oversight by the WOWSC?
- Exhibits submitted by the WOWSC in their testimony included the February 1, 2020 Annual Members Minutes which records board conversations on the rate increase, specifically discussions which confirm that the 2020 rate study was ONLY for water. This is not true, upon inspection of their 2020 rate study the WOWSC combined all water and sewer expenses into one study which yielded a combined water and sewer rate of \$116.68 based on 253 customers.
- After considerable amount of time analyzing their 2020 rate study, we determined that the board then tacked on an additional \$40.00 to the \$116.68 water/sewer rate amount. Why did they do this and how did they decide to add \$40.00 to \$116.68?

Here's what they did to increase our rates (aka voodoo mathematics)

- They looked at the 2018 water rate of \$50.95.
- Then they took the 2020 rate study that produced an amount of \$116.68, subtracted \$50.95 (2018 water rate) and then came up with \$63.73.
- Then they took 60% of \$63.73 (\$38.24) and added this to the old water rate of \$50.95 to produce our new water rate of \$89.19.
- Finally, they took 40% of \$63.73 (\$25.50) and added this to the old sewer rate of \$40.12 to produce our new sewer rate of \$65.62.
- This produced a combined base rate for water and sewer of roughly \$154.81 which does not include taxes or any gallon charges.

If you are confused by these irrational mathematical methodologies cited above, so too were we, and the best we can describe it is voodoo mathematics.

THE FLAWS in the 2020 Water/Sewer Rate Study

- The 2020 combined water/sewer rate study compared to the 2018 water study and 2018 sewer study does not apply consistent methodology and is flawed. Instead of comparing apples to apples it compares apples to oranges.
- They reference the 2018 water rates to determine the 2020 rates in an inconsistent manner. The 2018 water rate was inapplicable to the 2020 water and sewer rate determination.
- There are customers that only have water service, these customers are charged for wastewater expenses, specifically the treatment plant loan is being passed onto them through the water rates.
- The WOWSC uses cash basis accounting and their depreciation has been included in the 2020 rate study. PUC has previously ruled depreciation cannot be used in cash basis accounting.
- The overcharge in the rates appears to be around \$40.12 a month per customer.

We believe the water rates should be roughly \$52.00 for water and roughly \$65.00 for sewer (fewer sewer customers v. water customers), hence what the 2020 rate study produced - \$116.00. Our rates must be recalculated as there are obvious flaws in their methodology which results in a \$40.00/month overcharge. The data used to determine what believe are the correct rates simply comes from their own 2020 rate analysis the WOWSC submitted to the PUC. Customers must ask the WOWSC board why so many mistakes and oversights when it comes to running our corporation, specifically overcharging us for water and sewer rates. If you would like us to send you the rate studies to verify this information, please let us know.

In closing, please show up on Saturday to vote in this important election so we get the rates back down to what they should be. Remember voting is from 8:30 – 10:00 AM at the Windermere Pavilion. If you did not receive your election packet (as we understand a handful of customers have not) it's probably too late to get one mailed to you and returned back to them to be counted, so please show up Saturday to vote in this important election.

Meet your neighbors, candidates and enjoy coffee and donuts.

Josie Fuller and Patti Flunker/Your Ratepayer Representatives at the PUC



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FEES AND RATES

Click here to return to the Ask Larry homepage. (<https://www.trwa.org/general/custom.asp?page=141>)

On this page:

[Fees](#) | [Rates](#)

Fees

Q: Our system has a section of the distribution system which is in need of repair or replacement and serves about 40 customers. Since this section of the system is an older section and was not built or designed like the rest of the system, can we begin assessing these customers the costs for improving that line which will serve no other customers, as it is a dead end street?

Q: Can we charge an average usage on a meter we cannot access, such as the highest usage in the last 12 months, or must we use another method? Can we charge a fee each time we cannot get access to read a meter, including when we are trying to disconnect for nonpayment? Our intent is to get better cooperation from the customers. We recently resolved one access issue involving an unmanageable dog, but we still do not feel we have recourse should that customer decide not to cooperate in the future.

Q: It has been my experience that the equity buy-in fee is the same for every member regardless of the size of meter being installed because it is a per tap basis fee. My manager is questioning if this is the correct procedure or should we be multiplying the equity buy in fee by the meter equivalent? Our equity buy-in fee is \$1,562.50 for a standard residential 5/8" x 3/4" meter. Should we be charging 8 times that or \$12,500 for a new 2" meter?

Q: What is an equity buy-in fee?

Q: We are considering ways to increase revenues and the question came up whether we can charge a fee for meters that are locked and not being used, but still can be turned on at the customer's request. Is there a fee other systems charge for this or is this illegal? We have several meters that have been locked for years but are still in the ground.

Q: In calculating an impact fee for a new service connection, if the line the applicant will be served by requires an upgrade, can the price to lay a replacement pipe across that property be figured into the fee?

Q: Are we allowed to fine or penalize WSC members for failure to comply with our drought contingency plan?

Q: A neighboring city has recently approached our WSC about adding the city's sewer fees to our water bills. We have agreed to do this, but are having trouble determining an appropriate fee. We thought \$10 per active account per month was reasonable, but the city countered with \$2.00 per active account per month. Is there any TRWA or TCEQ guidance on determining this type of fee?

Q: Our board wants to increase the reconnect fee on customers that are locked for nonpayment. Where do I find the rules for what we can legally charge and do you have any suggestions?

Q: We have been trying to think of ways to increase customers on our south system. We have discussed discounting our tap fee for a specified amount of time or possibly charging the regular tap fee and the company absorbing the cost of road bores. Is this a bad idea?

Q: Can our water supply corporation charge a tap fee instead of separately charging for parts and labor? This would allow us to give a standard quote for a new service, provided the applicant just needs a standard service with no road bores involved.

Q: Are water supply corporations required to charge membership and equity buy-in fees for water and sewer separately? If our membership fee is \$100, should we charge an additional \$100 when we begin operating a wastewater plant?

A: The new wastewater portion of your business should have its own set of records, as the water system has had for years. The wastewater service is an additional service that did not exist when your system started and you may decide to collect a separate membership fee for wastewater service, if allowed in your bylaws. The wastewater membership fee must be approved by the board and included in the tariff. The wastewater equity buy-in fee is a separate fee. It is to be used only for the wastewater system improvements once the system is up and running.

Initial costs associated with getting the wastewater system up and running will probably be a mix of loans, grants and reserve money from the WSC. Records should be kept of all the WSC money spent towards the wastewater project so the board will have an accurate accounting of the startup costs.

Monthly wastewater system rates need to be accounted for and used to pay for all electricity, maintenance and other management and operating costs associated with running the system, as well as debt service and depreciation (and reserves).

If your board has not yet established approved wastewater fees for the tariff, this issue needs to be placed on your board's next meeting agenda for adoption. You cannot legally collect or charge any applicant any of these fees until the board has approved them.

Most systems do not set up separate bank accounts for the water and wastewater funds, but you should maintain a paper trail that auditors can follow to assist the system in determining how much is being collected and spent on each different operation.

A word of caution: Be sure to check your certificate of formation and bylaws to be sure some previous board or membership meeting has not amended these documents to delete sewer or wastewater as part of your authorized business. Years ago, some systems voted to remove all references to sewer or wastewater from their tariff, bylaws and articles of incorporation. Although Chapter 67 (<https://statutes.capitol.texas.gov/Docs/WA/htm/WA.67.htm>) of the Water Code clearly states that a WSC can provide both types of utility service, some systems have deleted the wastewater and sewer references from governance documents.

Your membership may have to amend your system's bylaws and certificate of formation, after your system's attorney determines whether current documents allow you to offer both services.

Q: A current member of our WSC has asked for a second meter on their property. Is it ethical for us to charge a second equity buy-in fee for this meter if we already charged such a fee for their first meter?

A: The answer is yes, it's not only ethical, it's also both fair and necessary. Think of it this way: what if that property owner was requesting not one meter, but four new ones? And what if one or all of those new meters were located on the same property, but a half mile away from the end of your current line? Wouldn't it make sense for the owner to have to pay the cost of extending the line(s) out to those structures?

The purpose of an equity buy-in fee is to establish parity between the new customer or applicant and those who have already been receiving service. All new customers or applicants for water service use some of the system's existing facilities and capacity that was already in place — things like pipe lines, tanks, wells, pumps and so on. These existing capacity components were and are being paid for through monthly water rates. Therefore, existing customers have been paying for extra capacity for many years and these new customers are being asked to provide a portion of the cost associated with the capacity they will be using.

Some of this cost will be paid by these new customers once they start paying their monthly water bill, but the previous customers not only have been paying for what it costs for them to receive water delivered to their homes, they have also been paying a bit extra toward the complete debt-service for all existing capacity. Additionally, Texas Commission on Environmental Quality (TCEQ) rules require that all public water systems be designed with a minimum of 15 percent "extra" capacity. The rules go on to state that once a system begins to use some of that extra capacity, they need to begin designing specific improvements which will replace this used capacity. Then, once the system reaches 100 percent capacity, that system should begin constructing these new facilities to replace or build that extra 15 percent or more back into their system for future growth.

It doesn't matter whether the extra capacity is used to supply brand new customers who have never had service or to existing customers seeking an additional meter. The capacity is being used either way, and these new meters and customers are utilizing their share of the system's resources. That availability to use that capacity should be paid for, but not by tacking the costs onto existing customers. Instead, growth should pay for growth, even if a current member is responsible for the new growth through the addition of a second meter on their property. Going back to my earlier example, if a current customer wanted a new meter placed at the end of a road a 1/2 mile past the end of the existing water line, that new customer should pay their costs for extending that line and not have that cost be paid for by the rest of the members.

Published in March/April 2019

Q: The owner of a commercial property currently has a standard ¾" meter that services a few business suites. The owner plans to expand its operations on the property, and has requested a larger 2" meter to accommodate that growth. Since the owner already paid an equity buy-in fee (EBIF) for its current ¾" meter, can we charge them new EBIF for the larger meter?

Q: The TRWA Sample Tariff has a place where we can set an appropriate nonstandard service investigation fee for those types of requests. What would be an appropriate fee, and how do we go about setting that in our tariff?

Q: I recall a rule stating that WSCs should maintain a reserve account in an amount equal to our membership deposits, but our CPA is unable to locate a statute or rule on point. Do we have to maintain this type of an account, and if so, why?

Q: Our tariff allows us to charge customers a "groundwater district production fee." Can you explain what this fee is and how it works?

Rates

Q: A current member of our WSC wants to add a second meter on their property. We would like to give members a cost break on subsequent meters. Can you explain why we have to charge customers for the cost of a full membership for a subsequent meter if they are already a member?

Q: We have not had any sizable expense since 2006, but we are getting bids, etc. to drill a new well at an approximate cost of \$80,000.00. We have the money, so we will not be financing this expense. My understanding is that under our capital improvement budget, we could take the cost, divide by 10 years and expense out in our budget at approximately \$8000.00 a year. Is this correct?

Q: We are creating a new rate schedule and I have a question regarding rate charges based on meter size. One of my board members suggested we "grandfather" in our existing customers at their normal standard rates and begin charging new customers who move into properties holding larger meters with new higher rates based on their meter size. That way we don't make any waves with existing customers, and the new ones wouldn't have any other expectations. I'm thinking this sounds discriminatory. What can you tell me about this idea? Do we need to be consistent with everyone's rates, old customer and new?

Q: We are revising our tariff. While the board of directors is keeping the old monthly charges and rates, we only have a base rate for 1 ½-inch meters. How do we determine base rates for 2- or 3-inch meters?

Q: The Board of Directors for our WSC would like to increase our water rates and needs to know what the procedure is. Are we required to go through the state to have the increase approved? I would appreciate any information you can give me.

Q: In a TRWA Conference presentation on tariffs, service fees, and charges, you mentioned that we could not charge customers based on the customer's kind of use of the water, but we could vary the minimum monthly charge for each customer based on the size of their meter. We are currently charging different usage rates to residential customers and commercial customers on occasion. On occasion, we also make water sales to companies that are bulk purchases. We are trying to get into compliance. Can you explain a little more?

Q Our water supply corporation is looking into taking over a small (54 meters) water system. The small system is approximately three miles from our existing system. We will interconnect at some point. My question is whether our WSC may operate the smaller system as a standalone system for the time being, as far as rates go. We would like some time to see if the smaller system can pay its own way with its current rates left in place and not be a liability for our current system.

Q Our City Council has recently decided to purchase a small, private water system. Are we legally able to charge the private system our basic charge for those outside of our city limits, as long as it is in accordance with our city ordinance? If it is legal, do we need to have a public hearing to notify the public that we will increase their water bill to come into compliance with our city ordinance?

Fees and Rates (Ask Larry) - Texas Rural Water Association

NRWA

TCEQ

USDA

US EPA

TX Legislature

Job Board

(http://www.nrwa.org/)

(http://www.rurdev.usda.gov/rurdev/state_tx_us/) (http://www.tceq.state.tx.us/home.asp)

(http://www.epa.gov/)

(http://www.legis.state.tx.us/)

(/networking/opening_search.asp)

1616 Rio Grande

Austin, TX 78701


Google Map

ll=30.280474,-97.745943&spn=0.000000,0.000000

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Tel 512.472.8591

Fax 512.472.5186

Email: info@trwa.org

(mailto:info@trwa.org)

Legal (/ams/)

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joe gimenez <1129jjg@gmail.com>

Fw: Rate Sheet

EXHIBIT 5

George Burriss <watermgmt@yahoo.com>
To: Joe Gimenez <1129jjg@gmail.com>
Cc: Mike Nelson <brownsandniners@aol.com>

Fri, Jan 31, 2020 at 3:44 PM

Joe,

Just looking over this briefly, the increase is only loaded into the water side, so the amount of the increase would need to be divided 60/40 between water & waste water.

George

----- Forwarded Message -----

From: James C. Smith, III <james.smith@trwa.org>
To: George Burriss <watermgmt@yahoo.com>
Sent: Friday, January 31, 2020, 2:41:56 PM CST
Subject: Rate Sheet

George,

Here you go.

James Smith

Circuit Rider, Technical

Assistance Departmental

Texas Rural Water Association

1616 Rio Grande

Austin, TX 78701

Office (512) 472-8591

Fax (512) 472-5186

Please note my email address has changed to:

James.Smith@trwa.org

www.trwa.org

This message may contain information that is confidential. The information is intended solely for the use of the addressee(s). If you are not an addressee, your disclosure, copying, distribution or use of the contents of this message is prohibited. If this message has been sent to you in error, please notify the sender by return e-mail.

Thank you



Windermere Oaks WSC 2019.xls

68K

Spicewood News

We're Here, Out There

Exhibit 8

WOWSC Court Documents

1. [Final Briefing to Dismiss Case based on law \(7 downloads\)](#)
2. [PUC Staff notifying judge of Ratepayer Reps discontinuing mediation \(9 downloads\)](#)

Updated: March 26, 2021

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We're Here, Out There

EXHIBIT 6**Response to Taylor on NextDoor**

Hi Taylor. Great questions. I will be happy to answer them. I have tried to be as brief as possible below

1. **What is the current status of the lawsuits? My understanding is the the courts have ruled in favor of WOWSC numerous times, so can we expect the lawsuits to come to a close soon?**

a Toma Integrity (Ffrench, Dial, Sorgen) Vs. WOWSC — decided in WOWSC favor Judges denied remedies sought by TOMA. Appeals court agreed in 2019 and Texas Supreme Court agreed in Feb 2020

b. 48292 — originally named “Double F Hanger Operations LLC, Lawrence R. Ffrench, Jr., Patricia Flunker and Mark A. McDonald v Friendship Homes & Hangars, LLC, and Burnet County Commissioners Court” and then recaptioned and filed as “Rene Ffrench, John Richard Dial, Stuart Bruce Sorgen, and as Representatives for Windermere Oaks Water Supply Corporation v. Friendship Homes & Hangars, LLC, WOWSC, and its Directors William Earnest, Thomas Michael Madden; Dana Martin; Robert Mebane; Patrick Mulligan, Joe Gimenez, Mike Nelson and Dorothy Taylor” — Final motion on the legal merits of the case were filed Wednesday of this week. It is available here. <http://spicewoodnews.com/wowsc-court-documents>. Dial, Ffrench and Sorgen can drop the case any time so that the corporation's legal defense fees can stop

c Two cases filed to protect the company's attorney-client privileged information (and one of which was settled positively with the Attorney General's office before intervention by Danny Flunker) — withdrawn. No longer in court See one final document here https://wowsc.org/documents/778/Order_Granteeing_Notice_of_Nonsuit_D-1-GN-20-007251_file_marked_2021_03_15_.pdf Another should happen any time

d Public Utility Commission Rate Case — Ratepayer Representatives walked away from mediation in January. An offer from the company for settlement in lower rates was ready but never entertained by ratepayer reps Josie Fuller and Patti Flunker because they dropped out of mediation Case will continue through July Ratepayer Reps can re-enter mediation to consider offers of lower rates or drop the case to stop additional legal fees. You can see the document describing discontinuance at this page <http://spicewoodnews.com/wowsc-court-documents>

2. **How were the rate increases calculated?**

WOWSC used the spreadsheet analysis tool created by the Texas Rural Water Association for use by its hundreds of member water systems across Texas The same spreadsheet was used by WOWSC in 2017 for a rate hike in 2018 It had been tailored specifically for WOWSC in 2017 by the TRWA, WOWSC board members and the water company manager All documents about the calculations are available on the Public Utility Commission website here <https://interchange.puc.texas.gov/Search/Filings?ControlNumber=50788>

3. **With the increase, how long was it originally expected for the increase to remain to pay off the legal fees?**

The Board had hoped the 48292 case would end in mid-2020 Mediation was attempted and is legally considered ongoing to this day. The Board wanted to lower rates in September 2020 but could not given the status of the case and mediation See item 1b above. Also see item 1d because all legal fees incurred in defending the rate increase can be judged as being recoverable in the form of higher fees

4. **How much longer do you plan for the rate increase to remain in place?**

The Board wants to decrease rates as soon as it responsibly can but the people suing the corporation — Ffrench, Dial, Sorgen in 48292 and Fuller/Flunker in the rate case — hold the cards. Their legal complaints against the company continue despite efforts at and offers of mediation The rate increase provided about \$16,000 per month in additional income to the corporation The company pays about \$20,000 per month to its law firms. (We were able to save the corporation about \$24,000 per year by

4/6/2021

Response to Taylor on NextDoor – Spicewood News

restructuring loans last year) We also are aggressively pursuing the insurance company for about \$300,000 it should pay. Contrary to what WOWSC opponents say, the truth is that the insurance company has NOT denied coverage. It simply has not responded despite a year of our asking for a decision.

All of this is in the president's report which is available here <https://youtu.be/cad8iOxOobg> and will be provided at the annual members meeting as well.

I hope that helps

Best regards,

Joe Gimenez

PS — Please vote for Gimenez, Nelson and Schaefer. Our accomplishments and plans for WOWSC are available here.

<http://spicewoodnews.com/gimenez-nelson-schaefer-accomplishments-for-the-neighborhood-water-company>

jgimenez10 March 26, 2021

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WATER REVENUE REQUIREMENT & RATE DESIGN

UTILITY:

REVENUE REQUIREMENT BUDGET/COST OF SERVICE ITEM

	Item Cost	%	Fixed	%	Variable
SALARIES	0	78	0	22	0
CONTRACT LABOR	117,865	75	88,399	25	29,466
CHEMICALS AND TREATMENT	12,035	60	7,221	40	4,814
UTILITIES	20,922	70	14,645	30	6,277
REPAIRS AND MAINTENANCE	71,060	50	35,530	50	35,530
OFFICE EXPENSES BILLING	15,679	45	7,056	55	8,623
ACCOUNTING & LEGAL	171,337	50	85,669	50	85,669
HEALTH INSURANCE	0	50	0	50	0
OFFICE SUPPLIES	4,707	45	2,118	55	2,589
TANK REPAIRS	0	50	0	50	0
BAD DEBT	0	50	0	50	0
PAYROLL TAXES	0	50	0	50	0
TELEPHONE	6,549	40	2,620	60	3,929
TRUCK & EQUIP. EXPENSE	0	50	0	50	0
TRAVEL & ENTERTAINMENT	1,130	50	565	50	565
EQUIPMENT RENTAL	250	50	125	50	125
INSURANCE - WC & LIABILITY	14,160	70	9,912	30	4,248
LICENSE & DUES	178	50	89	50	89
POSTAGE & FREIGHT	2,710	50	1,355	50	1,355
ADVERTISING	0	30	0	70	0
SAMPLING	8,459	50	4,230	50	4,230
EDUCATION	0	50	0	50	0
DEPRECIATION	56,273	60	33,764	40	22,509
MATERIALS & SUPPLIES	6,730	50	3,365	50	3,365
SECURITY	0	50	0	50	0
MISCELLANEOUS	1,250	50	625	50	625
LONG TERM DEBT	49,882	100	49,882	0	0
PURCHASED WATER	8,490	45	3,821	55	4,670
SLUG REMOVAL	2,363	50	1,182	50	1,182
BOOKKEEPING	4,163	50	2,082	50	2,082
	0	50	0	50	0
	0	50	0	50	0
SUB-TOTAL (LESS FIT & RETURN)	576,192		354,252	100	221,940
% OF TOTAL (FIXED + VARIABLE)		63		37	
PRINC. & INTEREST - WATER	0		0.00		0.00
MAINTENANCE RESERVE*	0		0.00		0.00
LESS OTHER REVENUE	\$0		0.00		0.00
TOTAL	\$576,192		\$354,252		\$221,940

This is the WOWSC 2018 water rate study

Exhibit 7

RATE CALCULATION

GALLONAGE CHARGE

Variable Cost/Test Year Gallons/1,000 =====>

17 07 /TH.GAL.

USE -> **PROPOSED RATE**
\$3.55 /TH.GAL.

MINIMUM BILL

Fixed Cost/12/Customer Equivalents =====>

|
\\/
|
116 68 /MO.
116 68 /MO. incl. min gallons

\\/
|
YIELDS -> **\$174.59 /MO.**
174.59 /MO.
inc. min. gall.

Avg Test-Yr Customer Equivalents = 253
Gallons Included In Minimum Bill = 0
Test Year Gallons Billed (x 1,000) = 13,000

REVENUES GENERATED

Connection Size	# of Connections	Min Bill	Minimum Bill Including Gals	Rev /Month	Rev./Year
5/8", 3/4"	253	\$174 59	\$174 59	\$44,170	\$530,042
3/4"	0	\$261 88	\$ 261 88	\$0	\$0
1"	0	\$ 436 46	\$ 436 46	\$0	\$0
1-1/2"	0	\$ 872 93	\$ 872 93	\$0	\$0
2"	0	\$ 1,396 69	\$ 1,396 69	\$0	\$0
2-1/2"	0	\$ 1,396 69	\$ 1,396 69	\$0	\$0
3"	0	\$ 1,745 86	\$ 1,745 86	\$0	\$0
4"	0	\$ 4,364 64	\$ 4,364 64	\$0	\$0
6"	0	\$ 8,729 28	\$ 8,729 28	\$0	\$0

GALLONAGE CHARGES=> TOTAL MINIMUM CHARGES=> \$530,042
13,000 @ \$3 55 /1,000 GAL 46,150
TOTAL REVENUE GENERATED=> \$576,192

Printed on: time

NOTES

UTILITY:

Date Referenced. 1-Jan-97

DEPRECIATION ANALYSIS

Description	Acquired Date	Ver /Est. Original Cost	Economic Life, yrs	Actual Deprec. Life	Annual Deprec.	Accum Deprec.	Net Plant
Land	1-Jun-79	0	n/a	n/a	n/a	n/a	0.00
Structures							
Masonry	1-Jun-79	0	30	17.6	0.00	0.00	
Wood	1-Jan-01	0	15	-4.0	0.00	0.00	
Well	1-Jun-79	0	30	17.6	0.00	0.00	
Pumps:							
Booster >=7HP	1-Jan-01	0	10	-4.0	0.00	0.00	
Booster <7HP	1-Jun-79	0	5	17.6	--	0.00	
Motor	1-May-94	0	3	2.7	0.00	0.00	
Well, <5l	1-Jan-01	0	5	-4.0	0.00	0.00	
Well, >5l	1-Jun-96	0	10	0.6	0.00	0.00	
Hypochlorinator	1-Aug-94	0	5	2.4	0.00	0.00	
Gas Chlorinator	1-Jan-01	0	10	-4.0	0.00	0.00	
Tanks:							
Pressure	1-Jun-79	0	50	17.6	0.00	0.00	
Ground	1-Jun-79	0	50	17.6	0.00	0.00	
Distrib. System	1-Jun-79	0	50	17.6	0.00	0.00	
Distrib. System	1-Jun-93	0	50	3.6	0.00	0.00	
Services	1-Jun-79	0	20	17.6	0.00	0.00	
Services	1-Jun-93	0	20	3.6	0.00	0.00	
Meters	1-Jun-79	0	20	17.6	0.00	0.00	
Meters	1-Jun-93	0	20	3.6	0.00	0.00	
Compressor	1-Jan-01	0	10	-4.0	0.00	0.00	
Electrical Controls	1-May-94	0	30	2.7	0.00	0.00	
Furniture/Fixtures	1-Jan-81	0	10	16.0	--	0.00	
Heavy Equipment	15-Feb-89	0	10	7.9	0.00	0.00	
Light Vehicles	15-Sep-87	0	5	9.3	--	0.00	
Shop Tools	1-Jan-81	0	15	16.0	--	0.00	
Computer/Software	1-Feb-95	0	5	1.9	0.00	0.00	
Fencing	1-Jun-79	0	30	17.6	0.00	0.00	
Total:		\$0			\$0	\$0	\$0

- - - - - - - -

1999 WATER REVENUE CONT.

Avg Test-Yr Customer Equivalents = 2504
 Gallons Included In Minimum Bill = 2,000
 Test Year Gallons Pumped (x 1,000) = NE
 Test Year Gallons Billed (x 1,000) = 150,239

REVENUES GENERATED

Connection Size	# of Connections	Min Bill	Minimum Bill Including G& Rev /Month	Rev /Year
5/8", 3/4"	2432	\$11 68	\$20 18 \$49,073	\$588,871
1"	0	\$ 19 50	\$ 28 00 \$0	\$0
1-1/2"	0	\$ 38 89	\$ 47 39 \$0	\$0
2"	1	\$ 62 24	\$ 70 74 \$71	\$849
2-1/2"	0	\$ 93 42	\$ 101 92 \$0	\$0
3"	0	\$ 116 78	\$ 125 28 \$0	\$0
4"	0	\$ 194 67	\$ 203 17 \$0	\$0
6"	2	\$ 389 22	\$ 397 72 \$795	\$9,545
		TOTAL MINIMUM CHARGES=>		\$599,266
GALLONAGE CHARGES=>		91,799 @	\$4 25 /1,000 GAL	390,147

\$989,413

NOTES NO DEPRECIATION, MAINTENANCE RESERVE INSTEAD

BASED ON BEGINNING CONNECTIONS =2376 AND ENDING CONNECTIONS = 2495, WHICH IS 5% GROWTH RATE

NET REVENUE GREATER THAN OR = 1 1 DEBT SERVICE?

NET REVENUE = \$587,510 12
 1 1 DEBT SERVICE = \$585,511 30

WASTEWATER RATE CALCULATIONS

Exhibit 9 2018 WOWSC wastewater study

UTILITY:

REVENUE REQUIREMENT

BUDGET/COST OF SERVICE ITEM

	Item Cost	% Fixed	\$ Value Fixed	% Variable	\$ Value Variable	2015	2016	Average	
SALARIES	\$29,622.00	50	\$14,811.00	50	\$14,811.00	11,480	10,480	10,980	Water Sold (1,000 gal)
SALARIES OT			\$0.00	100	\$0.00				
UNIFORMES			\$0.00	100	\$0.00	7,000	7,000	7,000	Wastewater Treated (1,000 gal)
HOSPITAL/DENTAL INSURANCE	\$5,868.00	60	\$3,520.80	40	\$2,347.20				
FICA			\$0.00	100	\$0.00	60.98%	66.79%	63.88%	Use average and per cent for gallonage of WW billed
RETIREMENT			\$0.00	100	\$0.00				
WORKER COMPENSATION			\$0.00	100	\$0.00				
UNEMPLOYMENT INSURANCE			\$0.00	100	\$0.00				
FUEL & LUBRICANTS			\$0.00	100	\$0.00				
CHEMICALS	\$661.00	70	\$462.70	30	\$198.30				
OPERATIONAL SUPPLIES	\$542.00	70	\$379.40	30	\$162.60				
MAINTENANCE SEWER PLANT			\$0.00	100	\$0.00				
MAINTENANCE SEWER LINES	\$17,314.00	80	\$13,851.20	20	\$3,462.80				
MAINTENANCE IRRIGATION	\$822.00	70	\$575.40	30	\$246.60				
MAINTENANCE VEHICALS	\$4,233.00	70	\$2,963.10	30	\$1,269.90				
MAINTENANCE EQUIPMENT	\$175.00	80	\$140.00	20	\$35.00				
MEETING/MILEAGE			\$0.00	100	\$0.00				
SCHOOLS/SIMINARS	\$822.00	70	\$575.40	30	\$246.60				
INSURANCE & BONDS			\$0.00	100	\$0.00				
PROFESSIONAL SERVICES	\$11,486.00	70	\$8,040.20	30	\$3,445.80				
TELEPHONE/PAGER	\$1,970.00	60	\$1,182.00	40	\$788.00				
UTILITIES	\$4,531.00	70	\$3,171.70	30	\$1,359.30				
STATE INSPECTION FEE			\$0.00	100	\$0.00				
LABORATORY FEES	\$3,911.00	80	\$3,128.80	20	\$782.20				
LCRA COMPOSTING EXP	\$568.00	50	\$284.00	50	\$284.00				
MISCELLANEOUS	\$3,299.00	60	\$1,979.40	40	\$1,319.60				
TRANSFER TO DEBT SERVICE			\$0.00	100	\$0.00				
USDA RD RUS LOAN PAYMENT	\$49,892.00	100	\$49,892.00	0	\$0.00				
CIP			\$0.00	100	\$0.00				
			\$0.00	100	\$0.00				
			\$0.00	100	\$0.00				
			\$0.00	100	\$0.00				
			\$0.00	100	\$0.00				
SUB-TOTAL			\$104,957.10	100	\$30,758.90				
% OF TOTAL (FIXED + VARIABLE)		68		32					
MAINTENANCE RESERVE*			\$0.00		\$0.00				
LESS OTHER REVENUE	\$0.00		\$0.00		\$0.00				
TOTAL	\$135,716.00		\$104,957.10		\$30,758.90				

RATE CALCULATION

GALLONAGE CHARGE			
Variable Cost/Test Year Gallons/1,000 =====>		\$3.94 /TH GAL	USE -> PROPOSED RATE \$2.50 /TH.GAL.
		\	
MINIMUM BILL			
Fixed Cost/12/Customer Equivalents =====>		\$40 12 /MO	YIELDS -> \$44.43 /MO.

Avg Test-Yr Customer Equivalents =	218
Gallons Included In Minimum Bill =	2,000
Test Year Gallons Billed (x 1,000) =	7,800

REVENUES GENERATED

Connection Size	# of Connections	Min Bill	Rev /Month	Rev /Year
	218	\$44 43	\$0 00	\$0 00

	TOTAL MINIMUM CHARGES=>		\$0 00
GALLONAGE CHARGES=>	7,800 @	\$2 50 /1,000 GAL	\$19,500 00
TOTAL REVENUE GENERATED=>			\$19,500 00

NOTES.

- 1) To use the table, simply change any of the values in the "initial data" area of the worksheet.
- 2) To print the table, just choose "Print" from the "File" menu. The print area is already defined.

LOAN DATA		TABLE DATA	
Loan amount:		Table starts at date:	
Annual interest rate:		or at payment number:	1
Term in years:			
Payments per year:	12		
First payment due:		Friday May 7, 2021	
PERIODIC PAYMENT			
Entered payment:		The table uses the calculated periodic payment amount	
Calculated payment:	#NUM!	unless you enter a value for "Entered payment".	
CALCULATIONS			
Use payment of:	#NUM!	Beginning balance at payment 1:	#NUM!
1st payment in table:	1	Cumulative interest prior to payment 1:	#NUM!

[illegible]

Setting Proper Rates for Your Water System

By Paul King, Circuit Rider, Texas Rural Water Association

Exhibit 10

Water systems are a business. Whether you're a for-profit investor-owned utility (IOU), a non-profit water supply corporation (WSC), a district or a municipal system, you must generate enough revenue to sustain your system.

Are non-profit WSCs allowed to make a profit?

I have been asked that question almost as much as I have been asked, "Where is Larry Bell?" when I started working for TRWA over 14 years ago. The simple answer is yes, but it's not called "profit." Revenue earned in excess of operating expenses by a non-profit entity is used in pursuing the organization's objectives and keeping it running; not to earn a profit for its owners. According to insidermonkey.com, the top three non-profits in the United States are The United Way, with an annual revenue of \$4.26 billion, Goodwill Industries International, which generates \$4.89 billion in revenue annually, and The Young Men's Christian Association (YMCA), topping the list with total revenues of \$6.23 billion. Now that we're all thinking we decided to work for the wrong type of non-profit, let me tell you why water systems need to put money in the bank. You must have capital to reinvest in the system if it is to be around for your children, grandchildren and great grandchildren.

How do we get to a proper water rate schedule with so many people on fixed incomes?

I have heard many times that we have too many people on fixed incomes to increase rates. My response is that you have to set rates based on your cost of service, not on the income of your customers. I like to call this the "little old lady argument," and many times the same systems that use this argument have a 3,000 gallon water allowance built into their monthly minimum. In cases like that I ask them, "how much water do your little old ladies use a month?" Most of the time the answer is 1000 – 1500 gallons a month, so in these cases the little old lady is paying for water they are not using and actually subsidizing the people who are using more water. Your monthly minimum or base rate should not include any gallons so that customers only pay for what they use.

What are the costs of services in a water system?

The first set of costs to consider are related to the operation and maintenance of the system. This consists of things like salaries, utilities and repairs and maintenance. This is what it costs to keep all the day-to-day operations of your water system running properly. A simple thing like repairing a leak can be very expensive depending on location of the line, whether the system has its own backhoe, whether you have enough personnel to repair the leak, etc. These are all cost factors that must be figured into your rates. Always look at historical data to justify these costs and to any known expenses that will be coming up. For example, if you normally you have 20 leaks a year, budget for those leaks and put that cost into your rate structure. The Public Utility Commission (PUC) will look at your costs incurred during the "historic test year," typically the year prior to the rate increase, and any "known and measurable" changes moving forward.

Capital Improvement Planning (CIP) can also be financed through rates. Although impact fees and equity buy-in fees can help with CIP, these fees are solely dependent on the number of new service connections your system installs every year. So if you are planning to do a \$300,000 project in 10 years, you have an equity buy-in fee of \$1,000 and historically only have 20 new customers a year, at the end of 10 years you will be \$100,000 short of the mark. The easiest way to make up this shortfall is to add an extra \$10,000 into your rates over the next 10 years. Since this money will be collected for this project, make sure it is put into a separate CIP account in your financial institution, only to be used for that project and never to find its way back into the general operation and maintenance account. Having a five or 10-year plan for your system is necessary to justify these types of costs in your budget.

Cash reserve funds are allowed to be put into your rate structure, but there is a maximum of 10 percent over the annual operation and maintenance expenses that can be charged for this reserve fund. See PUC rule Section 24.34(c)(E).

Long-term debt should also be put into your rate structure. Even though interest expense is the only

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thing listed on your audit as an expense, water systems also have to pay the principal on the debt. So the yearly principal and interest payments need to be added into your rates.

Depreciation funding is only allowed for IOU systems, but something that is very similar that is allowed for other systems is what is known as a "replacement reserve." The good thing about putting a replacement reserve into your rate structure is that it is using today's dollars instead of yesterday's, as is the case with funding depreciation. Anything and everything that wears out in your system should be put into replacement reserve: the pipes in the ground (although a pipe lasts a very long time, it does not last forever), the inside of your tanks or possibly the tanks themselves (whether they are elevated or ground storage tanks, the coating inside them only last 10-15 years), etc. Some other things that are expensive and wear out are: well pumps and motors, chlorination equipment, pressure pumps, backhoes and water meters (of course if you have radio read water meters, they are even more expensive). All of these things need to be replaced and funded through the rate schedule. One thing I tell every system when they are setting up a replacement reserve account is to make sure that things are accounted for in proper time frames. If you have pressure pumps that are supposed to last 10 years, but historic data shows with your water they only last seven years, this becomes the schedule at which these pumps should be planned for replacement, so that you have the proper amount of money budgeted to replace that pump when it goes out.

Lastly, a non-recurring cost should never be put into your rate structure. An example of non-recurring expenses are any fines systems receive for TCEQ violations. These may be paid from your cash reserves.


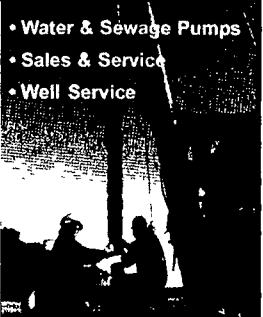
An easy way to see if you have covered all your system's costs over the years is to look at the accumulated depreciation on your annual audit, and then look at your replacement reserve account. If these numbers are not similar, you are simply not charging enough for water. Some people have argued that their replacement reserve account is not similar because the account has fully depreciated that item and they have purchased a new one. If this is true, the auditor should have removed the old asset from your depreciation schedule and the new asset should have been added to the total assets


of the system. The new asset would then begin its depreciation cycle. When this happens, systems should put the new asset into their replacement reserve account and remove the old item.

Water systems should look at their rates on a yearly basis, preferably after the new budget has been approved by the board of directors. By doing this yearly evaluation, it allows water systems to increase rates by nickels and dimes instead of waiting 10 years and requiring a substantial increase that could affect their customers greatly and trigger a rate appeal to the PUC.

Nobody likes to raise rates, but the rising cost of services have forced many systems to begin looking at rate increases. Increasing costs for things such as electricity, insurance, fuel and chemicals are things that your customers also pay for in their day-to-day lives, so they should understand the need for water rate increases. At this time, water is still the least expensive utility service your customers pay; however, at the same time, it is the only utility service they cannot live without.

If you have any questions about setting rates for your system, contact your regional circuit rider, or call 512-472-8591.

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