



Filing Receipt

Filing Date - 2024-06-07 10:22:01 AM

Control Number - 52370

Item Number - 134

**SOAH DOCKET NO. 473-22-07686.WS
PUC DOCKET NO. 52370**

**APPLICATION OF EAST HOUSTON
UTILITIES, INC. FOR AUTHORITY
TO CHANGE RATES**

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§**

**BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS**

DIRECT TESTIMONY

OF

STEPHEN P. KREBS

IN SUPPORT OF

**UNANIMOUS STIPULATION
AND SETTLEMENT AGREEMENT**

ON BEHALF OF

EAST HOUSTON UTILITIES, INC.

June 7, 2024

**DIRECT TESTIMONY IN SUPPORT OF
UNANIMOUS STIPULATION/ADDENDUM AND SETTLEMENT
AGREEMENT OF
STEPHEN P. KREBS**

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1 **DIRECT TESTIMONY OF STEPHEN P. KREBS**

2 **ON BEHALF OF**

3 **EAST HOUSTON UTILITIES, INC.**

4 **I. INTRODUCTION**

5 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

6 A. My name is Stephen P. Krebs. My business address is 11015 Sheldon Road, Suite #102,
7 Houston, Texas, 77044.

8
9 **Q. ARE YOU THE SAME STEPHEN KREBS WHO PRESENTED TESTIMONY IN**
10 **THIS CASE?**

11 A. Yes. I am the owner and director of East Houston Utilities, Inc. (“EHU” or “Company”).
12

13 **II. PURPOSE OF TESTIMONY**

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

15 A. My testimony supports the Unanimous Stipulation and Settlement Agreement
16 (“Stipulation”) that resolves all issues in this proceeding concerning EHU’s water
17 rate/tariff change application (“Application”). Specifically, my testimony (1) summarizes
18 the history of this Application proceeding and the process that led to the Stipulation (2)
19 summarizes the Stipulation, and (3) explains why the Stipulation is reasonable, in the
20 public interest, and should be promptly approved by the Commission.
21

1 **Q. ARE YOU THE ONLY PERSON PROVIDING TESTIMONY ADDRESSING THE**
2 **STIPULATION?**

3 A. I am the only witness for the Company providing such testimony. My understanding is
4 that Public Utility Commission of Texas Staff (“Staff”) will also provide testimony or a
5 memorandum in support of Staff’s position on the Stipulation. I do not know if any other
6 party plans to file testimony in support of the Stipulation, but each party to this docket
7 participated in the lengthy negotiations and efforts to document our settlement and each
8 has executed the Stipulation so there should be no question of the unanimous support.

9
10 **III. THE STIPULATION**

11 **Q. WHO ARE THE SIGNATORIES TO THE STIPULATION?**

12 A. EHU, Staff, Lauren Hood, Wesley Francis, Barry Evans, J.D. Keller, and Mona Keller
13 (collectively, the “Parties” or “Signatories”).
14

15 **Q. PLEASE DESCRIBE THE PROCESS THAT RESULTED IN THE STIPULATION.**

16 A. On July 29, 2021, EHU filed the Application for a water rate/tariff change at issue in this
17 docket. The Company has approximately 23 active water customer connections under
18 certificate of convenience and necessity (“CCN”) No. 12042 and EHU is classified as a
19 Class D utility. I oversaw and participated in the preparation of the Application by EHU
20 for filing with the Commission. Commission Staff provided assistance to EHU with its
21 Application submission.

22 After the Commission found the Application administratively complete, the Parties
23 conducted extensive discovery and prepared their respective positions on the Application.
24 Settlement discussions occurred intermittently over the course of the past three years. On

July 1, 2023, interim rates were put into effect that are the same as those agreed in the Stipulation. Eventually, on May 7, 2024, the Parties' settlement discussions resulted in a final agreement in principle. This allowed the Parties to re-direct their resources from a litigation track to a settlement track and work to finalize the Stipulation document. The Stipulation was executed by all Parties effective May 7, 2024.

Q. PLEASE IDENTIFY THE MAIN COMPONENTS OF THE STIPULATION.

A. The Stipulation includes a Water Utility Tarriff for EHU that includes the retail water utility rates agreed upon by the Parties as part of the Stipulation. Yet, there are other key elements that are part of the final agreement.

Q. PLEASE IDENTIFY THE OTHER KEY COMPONENTS OF THE STIPULATION.

A. Other key components are as follows:

1. The Signatories agreed that each Party shall bear its own costs for all costs incurred to litigate this docket. Further, EHU shall not seek rate case expenses incurred in connection with this Docket No. 52370 either as part of the final approval in this docket or in a future rate application docket. However, EHU may seek recovery of rate case expenses incurred in any other Commission application docket at its sole discretion.
2. The Signatories agreed that in its next comprehensive rate case EHU will produce its affiliate services agreements, if any, and an organization chart showing the relationship of EHU to its affiliates, if any.

This is a balanced and comprehensive settlement agreement. The Parties agreed that all of the Stipulation terms and conditions are just, reasonable, and in the public interest.

1 **Q. WHAT SPECIFIC BENEFITS DOES EHU BELIEVE IT WILL RECEIVE FROM**
2 **THE STIPULATION IF IT IS APPROVED BY THE COMMISSION?**

3 A. Settlements are always a give and take and this case is no exception. The Company will
4 achieve certainty regarding its retail water rates that it can charge for the immediate future.
5 EHU will also save on its rate case expenses by resolving this case now instead of litigating
6 it to conclusion. These are also benefits to the other Parties. In particular, EHU
7 ratepayers will not be asked to reimburse EHU for its rate case expenses incurred in this
8 docket through a surcharge as consideration for an earlier resolution. The Stipulation rates
9 will serve to maintain EHU's ability to fulfill its responsibility to provide continuous, safe,
10 and reliable service to its customers. Commission approval of the Stipulation would be in
11 the public interest.

12
13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes.