



## **Filing Receipt**

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**East Houston Utilities, Inc.**  
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January 23, 2025

Public Utility Commission of Texas  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

Attention:  
Chairman Gleeson  
Commissioner Jackson  
Commissioner Hjaltman

Re: *Application of East Houston Utilities, Inc. for Authority to Change Rates*, PUC  
Docket No. 52370

Dear Commissioners,

My name is Stephen P. Krebs, and I am the Owner and Director of East Houston Utilities, Inc (EHU), the Applicant water utility in this proceeding. Last year I had the privilege of attending the annual meeting of the TAWC in Austin. Towards the end, a state representative mentioned the problem of small, abandoned water systems and the millions of dollars Texas has appropriated to help these systems. This very much interested me, and I began to think about the problem and possible State solutions.

I started my public water operation company in September of 1997 by helping a small community system in need of a new pump. I worked with what was then TNRCC and, specifically, a very intelligent and dedicated TNRCC staff representative named Cliff Sheffield to not only replace the pump but also update the system to public standards. I installed meters, curb stops, etc. until it was approved as a public community system with a total of 18 connections and a way to supplement income from teaching high school mathematics. I realized, many years later, that I had simultaneously saved an abandoned system and started a company that would grow to 800 connections serving the east Houston area.

Since then, in an effort to help struggling systems in my area, I've taken on 8 additional systems in various degrees of repair and condition. I began to realize that there is a fundamental issue that causes these small systems to fail or become in a poor state of repair. It wasn't the lack of assistance from the state or its commissions. It wasn't from the lack of good management from its operators or shady behaviors from either the system owner or the developer. The problem, in the vast majority of failing systems, is simply the inability to collect the required income necessary to provide services as required by the ever-increasing standards set by TCEQ and the PUC.

Herein lies the problem I've been struggling with. How can I use an EXTREMELY limited income to produce the documents required from the PUC in this matter. Over the years I have attempted, on several occasions, to produce the documents using my personal time and knowledge, together with the time of my records coordinator and accountant, to keep the cost low. However, it has come to my attention that these efforts need to be produced by professionals with knowledge that comes at a very steep price for a system with such a low number of connections.

At the last PUC Commissioners' open meeting, Chairman Gleeson indicated he had concerns about accepting our settlement with PUC Staff and our customers because of accounting and affiliate transaction issues. Earlier in our proceeding, PUC Staff expressed similar concerns. We were prepared to spend thousands of dollars on accounting and legal fees to clarify some of those issues in our rebuttal case. However, instead, the rate-payers and EHU agreed to the settlement now before you.

In the ongoing effort to limit the burden on this system, EHU requests that the Commission accept and approve the stipulated settlement. In EHU's next rate case, we will make an effort to more clearly explain our utility accounting. However, here, we have been trying to obtain what we believe are just and reasonable rates for the subject 30-connection system from this Commission since 2018, and from the TCEQ for several years before that. Our concern about spending too much money on rate case expenses, as stated before, is the small number of customers we have from which to recover those expenses and the burden that would create. Like all other expenses associated with this system, a seemingly small increase to an expense category results in a huge impact to the residents. For example, the replacement of just one sub pump seen on the 2023 expense report consumed almost the entire gross revenue for that year. This impact would be duplicated if there were another \$10,000 to \$20,000 in accounting and legal expenses necessary for further litigation in this case.

Therefore, we agreed to a compromise. This is a challenge faced by many small systems that the PUC regulates. Without the rates agreed upon in this rate proceeding, EHU would continue receiving about \$700 per month from the \$23.00 flat rate per connection. But we know that is far too low. Some would have abandoned this system, or at least the efforts to obtain new rates for this system, long ago. I have tried my best to put on EHU's rate case before this Commission while minimizing costs. Next time, I will likely have to spend more. Here, however, EHU would really appreciate it if the Commission would accept the settlement worked out among the Parties in the spirit of compromise so this docket may reach a reasonable conclusion without further costs.

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I also ask that we all look at the big picture to see if there is a better way the Commission might deal with cases of this nature to address the bigger problems the Commission faces with water utility systems that are in disrepair or abandoned. I firmly believe a rule allowing for the simple and expedited approval of rate changes for Class C and D water systems without the need for complex legal or accounting services is badly needed. I believe this rule would substantially help the problem of abandoned or poorly maintained systems.

Thank you for your consideration of this matter. I hope we may have further communications about this issue after this case is concluded.

Sincerely,

Stephen P. Krebs  
Owner, East Houston Utilities, Inc.