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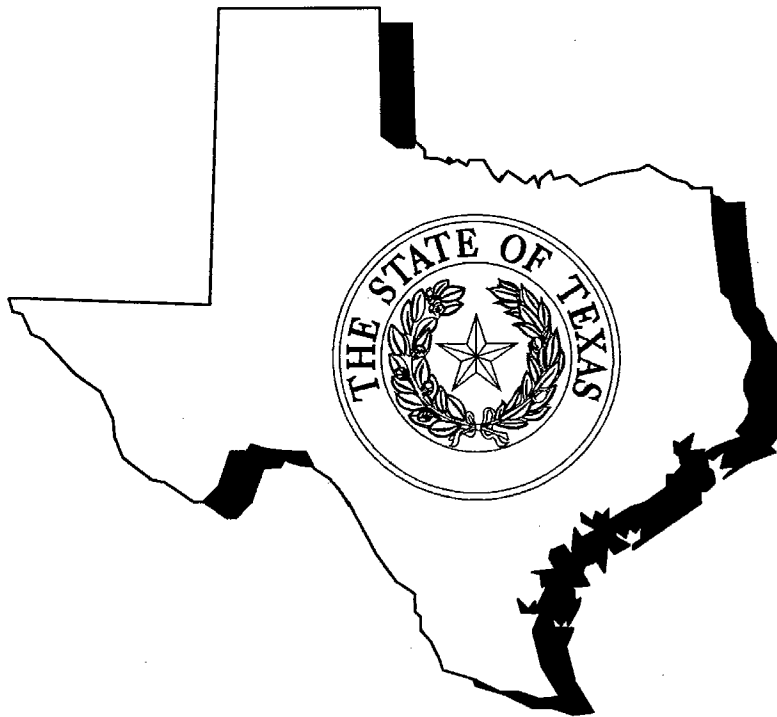
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SOAH DOCKET NO. 473-22-0786.WS
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APPLICATION OF EAST HOUSTON
UTILITIES INC. FOR AUTHORITY TO
CHANGE RATES

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BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS



DIRECT TESTIMONY OF
FREDERICK QUIJANO
RATE REGULATION DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS
NOVEMBER 18, 2022

Table of Contents

I. STATEMENT OF QUALIFICATIONS	1
III. TERMS AND DEFINITIONS	4
IV. EAST HOUSTON’S REQUESTED COST OF SERVICE	6
V. RECOMMENDED ADJUSTMENTS	7
VI. AFFILIATES	10
VII. RATE CASE EXPENSE	13

ATTACHMENTS

- FQ-1 Staff’s Revenue Requirement
- FQ-2 List of testimonies
- FQ-3 East Houston’s April Reply
- FQ-4 East Houston’s 2021 Annual Report

I. STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Frederick Quijano. My business address is 1701 N. Congress Avenue, Austin, Texas.

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

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

Q. What are your principal responsibilities as a Regulatory Accountant for the Commission?

A. My responsibilities include testifying as an expert witness on accounting matters in rate cases and other applications filed with the Commission and participating in the overall examination, review, and analysis of such applications.

Q. Please state your educational background and professional experience.

A. In May 2016, I graduated from Texas State University in San Marcos with a Bachelor of Business Administration degree in Accounting. After graduating, I attended St. Edwards University and Austin Community College to fulfill my 150-credit hour requirement for eligibility to become a Certified Public Accountant (CPA) in the State of Texas. In October of 2018, I was approved by the Texas State Board of Public Accountancy to sit for the CPA exam.

From September 2016 to May 2018, I was employed by Evelyn Edwards, CPA, PLLC as a tax preparer. My main role was to prepare federal and state tax returns for individual, corporate, and not-for-profit clients. I was also tasked with research and analysis of tax issues and updates to tax law with the passing of the Tax Cuts and Jobs Act in December 2017. In August 2018, I began employment with the Commission in the Rate Regulation Division as a Regulatory Accountant.

1 **Q. Have you previously testified before the Commission?**

2 A. Yes. A listing of my previously filed testimonies can be found in Attachment FQ-2.

3 **II. PURPOSE AND SCOPE OF TESTIMONY**

4 **Q. What is the purpose of your testimony in this proceeding, Docket No. 52370,**
5 ***Application of East Houston Utilities, Inc. for Authority to Change Rates?***

6 A. The purpose of my testimony is to present Commission Staff's (Staff) recommended cost
7 of service (also referred to as the revenue requirement) for East Houston Utilities Inc.
8 (East Houston) based on the test year ending December 31, 2020. I recommend
9 adjustments to cash working capital, taxes other than income taxes, and federal income
10 taxes resulting from the flow-through affects produced by adjustments made by other
11 Staff witnesses. I incorporated the recommendations of Staff witnesses Heidi Graham
12 and Mark Filarowicz into my revenue requirement. Staff witness Adrian Narvaez
13 presents the recommended water rates using my adjusted revenue requirement. Please
14 see their testimonies for details related to those recommendations. Lastly, I provide my
15 recommendation related to East Houston's affiliate relationships and its request for
16 recovery of rate-case expenses incurred in this proceeding.

17 **Q. What is the scope of your review?**

18 A. I reviewed East Houston's Application, testimony, and the replies to Staff's
19 recommendation on administrative completeness.

20 **Q. What regulatory standards did you rely upon in your review of East Houston's**
21 **application?**

22 A. I based my analysis on the standards set forth in TWC §13.185. This statute addresses
23 the components of invested capital and net income and states, in part:

- 24 (a) Unless alternate methodologies are adopted as provided in Sections
25 13.183(c) and 13.184(a), the components of invested capital and
26 net income shall be determined according to the rules stated in this
27 section.

1 (d) Net income is the total revenues of the utility less all reasonable
2 and necessary expenses as determined by the regulatory authority.
3 The regulatory authority shall:

- 4 (1) base a utility's expenses on historic test year information
5 adjusted for known and measurable changes, as determined
6 by utility commission rules; and
7 (2) determine expenses and revenues in a manner consistent with
8 Subsections (e) through (h) of this section.

9 (e) Payment to affiliated interests for costs of any services, or any property,
10 right or thing, or for interest expense may not be allowed either as capital cost
11 or as expense except to the extent that the regulatory authority finds that
12 payment to be reasonable and necessary. A finding of reasonableness and
13 necessity must include specific statements setting forth the cost to the affiliate
14 of each item or class of items in question and a finding that the price to the
15 utility is no higher than prices charged by the supplying affiliate to its other
16 affiliates or divisions for the same item or items, or to unaffiliated persons or
17 corporations.
18

19 In addition, I analyzed East Houston's request under 16 Texas Administrative Code
20 (TAC) § 24.41, which provides the basic equation for a utility's cost of rendering service.
21 The Commission rule states, in part:
22

- 23 (a) Components of cost of service. Rates are based upon a utility's
24 cost of rendering service. The two components of cost of service
25 are allowable expenses and return on rate base.
26 (b) Allowable expenses. Only those expenses that are reasonable and
27 necessary to provide service to the ratepayers may be included in
28 allowable expenses. In computing a utility's allowable expenses,
29 only the utility's test year expenses as adjusted for known and
30 measurable changes may be considered. A change in rates must be
31 based on a test year as defined in §24.3(37) of this title, relating to
32 Definition of Terms.
33 (c) Return on rate base. The return on rate base is the rate of return times rate
34 base.
35

36 Further, I also relied upon the language in 16 TAC § 24.44, which addresses a utility's
37 recovery of rate-case expenses incurred as a result of filing a rate-change application.
38 The Commission rule states, in part, the following:
39

- 40 (a) Recovery of rate-case expenses. A utility may recover rate-case
41 expenses, including attorney fees, incurred as a result of filing a
42 rate-change application pursuant to TWC §13.187 or TWC
43 §13.1871, only if the expenses are reasonable and necessary.

1 **Q. If you do not address an issue or position in your testimony, should that be**
2 **interpreted as you supporting East Houston's position on that issue?**

3 A. No. The fact that I do not address an issue in my testimony should not be construed as
4 agreeing, endorsing, or consenting to any position taken by East Houston.

5 **III. TERMS AND DEFINITIONS**

6 **Q. What is meant by the terms "revenue requirement" or "cost of service"?**

7 A. The American Water Works Association's (AWWA's) manual, entitled *Principles of*
8 *Water Rates, Fees and Charges*, states that "revenue requirements are the summation of
9 the operation, maintenance, and capital costs that a utility must recover during the time
10 period for which rates will be in place."¹ I use the terms "revenue requirements" and
11 "cost of service" synonymously within my testimony because the revenue requirements
12 should equal the cost of service to make the utility whole. The "net revenue requirement"
13 is used to determine the fixed rate and gallonage charges needed to pay for the cost of
14 service that is not paid for by other revenues. Other revenues include a variety of fees
15 collected by the utility such as late fees and reconnect fees. To avoid double-recovery,
16 the revenue requirement is reduced by other revenues so that the fixed rate and gallonage
17 charges do not recover the same expenses paid for by the other revenues. This results in
18 the net revenue requirement.

19 **Q. What is the "utility method" of determining the cost of service?**

20 A. The AWWA manual *Principles of Water Rates, Fees and Charges* states the following
21 regarding the utility-basis (or "utility method") approach:

22 The utility-basis approach to measuring revenue requirements is
23 typically mandated for investor-owned water utilities and
24 mandated or permitted for government-owned utilities in
25 jurisdictions where the utility is regulated by a utility commission
26 or other similar regulatory body. The utility-basis approach for
27 determining revenue requirements consist of O&M expenses, taxes

¹ *M1 Principles of Water Rates, Fees and Charges* (6th Ed. 2012) at 5.

or transfer payments, depreciation expense, and a “fair” return on rate base investment.²

Q. How is the cost of service determined using the utility method for an investor-owned utility?

A. The two components of cost of service are allowable expenses and return on invested capital. The following equation expresses the cost of service under the utility-basis approach:

$$RR = E + D + T + (RB \times ROR), \text{ where}$$

RR = Revenue Requirement
E = Operations and Maintenance Expense
D = Depreciation Expense
T = Taxes
RB = Rate Base
ROR = Overall Rate of Return

Q. What is the definition of known and measurable expenses?

A. Known and measurable expenses are defined in the Commission’s Standard Class A Rate Filing Package. Specifically, for an expense to be deemed known and measurable, it must be verifiable on the record as to amount and certainty of effectuation, and it must be reasonably certain to occur within 12 months of the end of the test year.³

Q. What is a test year?

A. A test year is defined under 16 TAC § 24.3(37) as the most recent 12-month period, beginning on the first day of a calendar or fiscal year quarter, for which operating data for a retail public utility are available.

Q. What test year did you use to review East Houston’s requested revenue requirements?

A. I used East Houston’s requested test year ending December 31, 2020.

² *Id.* at 12.

³ *Instructions for Rate/Tariff Change, Class A Water and Sewer Utilities* (Sep. 17, 2015) at 10.

IV. EAST HOUSTON'S REQUESTED COST OF SERVICE

Q. What cost of service does East Houston request?

A. East Houston requests a total water cost of service of \$62,823 summarized in Table 1 below.

Table 1 – Requested Company Total Cost of Service⁴

Account Name	Amount
Total Operating Expenses	\$35,378
Depreciation	\$12,487
Taxes Other than Income	\$ 0
Income Tax Expense	\$ 8,971
Total Expenses	\$56,236*
Return on Invested Capital	\$ 7,087
TOTAL COST OF SERVICE	\$63,323
Less: Other Revenues	\$ (500)
NET COST OF SERVICE	\$62,823

*Note: Amount should add to \$56,836, but \$56,236 is listed in the Application.

Q. What cost of service do you recommend in this case?

A. I recommend a cost of service of \$49,647, before adjustments for other revenues. Attachment FQ-1 provides the details for the cost of service and adjustments.

Q. Please describe your recommended cost of service.

A. My recommended cost of service reflects adjustments to cash working capital, taxes other than income taxes, federal income taxes, and the recommendations of other Staff witnesses.

Attachment FQ-1 presents Staff's proposed adjustments to the total revenue requirement through a series of five schedules presents the revenue requirements as described below:

⁴ Application at Schedules I-1.

- Schedule I presents the overall costs of service. The subsequent schedules provide details of specific components contained within Schedule I.
- Schedule II details the adjustments to operations and maintenance expense.
- Schedule III shows the calculation of invested capital.
- Schedule IV details the Operations and Maintenance Accounts for water, wastewater, and shared expenses.
- Schedule IVA details Taxes other than Income.
- Schedule V details the calculation of normalized federal income tax.

Q. Please describe the format of each schedule.

A. The first column of each schedule presents December 31, 2020 historical test-year amounts. The second column reflects the proposed known and measurable changes requested by East Houston to derive its requested amounts presented in the third column. The fourth column presents my recommended adjustments to East Houston's calculated revenue requirement. The final column presents my proposed revenue requirement.

V. RECOMMENDED ADJUSTMENTS

Q. What adjustments does Staff recommend for the revenue requirement?

A. Staff recommends the following adjustments to East Houston's revenue requirement:

<u>Account Name</u>	<u>Amount</u>
Operations and Maintenance (O&M)	(\$599)
Depreciation and Amortization Expense	(\$6,500)
Taxes other than income	\$909
Federal Income Taxes	(\$4,820)
Return on Invested Capital	(\$2,896)
Total Adjustments	(\$13,306)

1 **Q. Please explain the adjustments to O&M expenses.**

2 A. Adjustments to O&M expenses are shown on Staff Schedule II of Attachment FQ-1. The
3 adjustment to O&M expenses is due to an incorrect calculation by East Houston of its
4 total expenses. East Houston's Application shows a total O&M expense of \$35,378.⁵
5 When I input the same amounts from East Houston's application, I derive a total of
6 \$34,779. This is a difference of \$(599).

7 **Q. Do you recommend an adjustment to East Houston's cash working capital?**

8 A. Yes. I recommend an adjustment of (\$75) to East Houston's requested cash working
9 capital of \$4,422.⁶

10 **Q. How did you calculated your recommended cash working capital allowance?**

11 A. I followed the standards of 16 TAC § 24.41(c)(2)(D)(iii)(II), which states:

12 For Class C and Class D utilities, one-eighth of operations and
13 maintenance expense excluding amounts charged to operations and
14 maintenance expense for materials, supplies, expenses recovered
15 through a pass-through provision or through charges other than
16 base rate and gallonage charges, and prepayments will be
17 considered a reasonable allowance for cash working capital.

18 Applying one-eighth to my recommended O&M expenses produces my adjusted cash
19 working capital allowance of \$4,347, which is \$75 less than East Houston's request.

20 **Q. Please explain your recommended adjustment to East Houston's taxes other than**
21 **income taxes.**

22 A. I recommend an increase of \$909 to East Houston's annual taxes other than income taxes
23 to cover payroll taxes associated with its management and office salaries of \$11,880.⁷ I
24 applied the rate of 7.65% (which includes the Medicare Hospital Insurance, Old Age and

⁵ Application at Schedule II-3.

⁶ *Id.* at Schedule III-2.

⁷ *Id.* at Schedule I-1.

Survivors Insurance, and Disability Insurance)⁸ to East Houston's requested salary expenses, which produces my recommended adjustment of \$909.

Q. Please explain your adjustment to federal income tax expense.

A. My recommended adjustment to federal income tax results from flow through changes based on adjustments to plant in service, rate of return, synchronized interest, and a recalculation of federal income tax using the correct federal income tax factor.

Q. Please describe the method you used to calculate your recommended federal income tax expense?

A. I calculated federal income tax expense using Tax Method One, which is based on the return calculation. Any adjustments to the calculated return therefore impact the federal income tax expense calculation. Staff witness Mark Filarowicz recommends a rate of return equal to 6.13%. Applying his rate of return to the Staff recommended rate base results in a return amount of \$4,192. Using Tax Method One and the current corporate Federal Income Tax rate of 21% results in my recommended federal income tax expense of \$805.

Q. Please explain the calculation of federal income tax.

A. Tax Method One includes a grossed-up tax factor that allows the regulated utility to recover the taxes that it will pay related to the tax expense that it collects. The full federal income tax expense is determined by taking East Houston's return on rate base, subtracting synchronized interest, and multiplying the taxable return by a tax factor based on the federal corporate tax rate. The formula to determine the tax factor is $[(1/(1 - \text{Corporate tax rate}) \times \text{corporate tax rate})]$. The corporate tax rate is 21%, and the grossed-up tax factor is calculated as shown:

⁸ See, e.g.,

<https://www.ssa.gov/policy/docs/statcomps/supplement/2020/oasdi.html#:~:text=The%20current%20FICA%20tax%20rate,and%201.45%20percent%20for%20HI%20;> see also

<https://www.ssa.gov/policy/docs/statcomps/supplement/2020/oasdi.html#:~:text=The%20current%20FICA%20tax%20rate,and%201.45%20percent%20for%20HI%20.>

$$\begin{aligned} & (1/(1-.21)*.21) \\ & (1/(.79)*.21) \\ & 1.2658227848 *.21 \\ & = 0.2658227848 \end{aligned}$$

Q. Does your recommended revenue requirement include adjustments recommended by other Staff witnesses?

A. Yes. I included the plant in service, accumulated depreciation, and depreciation expense adjustments described in the direct testimony of Staff witness Heidi Graham. Additionally, I included the effects of the rate of return recommendation of Staff witness Mark Filarowicz.

VI. AFFILIATES

Q. Please define affiliate as it applies to the review of rate change applications.

A. TWC § 13.002(2) states: "Affiliated interest" or "affiliate" means:

- (A) any person or corporation owning or holding directly or indirectly five percent or more of the voting securities of a utility;
- (B) any person or corporation in any chain of successive ownership of five percent or more of the voting securities of a utility;
- (C) any corporation five percent or more of the voting securities of which is owned or controlled directly or indirectly by a utility;
- (D) any corporation five percent or more of the voting securities of which is owned or controlled directly or indirectly by any person or corporation that owns or controls directly or indirectly five percent or more of the voting securities of any utility or by any person or corporation in any chain of successive ownership of five percent of those utility securities;
- (E) any person who is an officer or director of a utility or of any corporation in any chain of successive ownership of five percent or more of voting securities of a public utility;
- (F) any person or corporation that the utility commission, after notice and hearing, determines actually exercises any substantial influence or control over the policies and actions of a utility or over which a utility exercises such control or that is under common control with a utility, such control being the possession directly or indirectly of the power to direct or cause

the direction of the management and policies of another, whether that power is established through ownership or voting of securities or by any other direct or indirect means; or

(G) any person or corporation that the utility commission, after notice and hearing, determines is exercising substantial influence over the policies and actions of the utility in conjunction with one or more persons or corporations with which they are related by ownership or blood relationship, or by action in concert, that together they are affiliated within the meaning of this section, even though no one of them alone is so affiliated

Q. Does East Houston claim any affiliate relationships?

A. No. East Houston's responses to Staff's Recommendation and Supplemental Recommendations on Administrative Completeness in this proceeding do not provide information responsive to requests for information describing affiliate relationships. Additionally, East Houston's testimony of Stephen Krebs omits any discussions of its affiliate relationships.⁹

Q. Based upon your review, did you identify affiliates of East Houston?

A. In addition to reviewing the Application, I reviewed the annual report of Krebs Utilities filed in Project No. 52954, which identifies the multiple Certificates of Convenience and Necessity held by Stephen Krebs.¹⁰ According to Krebs Utilities' 2021 Annual Report for Class D Water and Sewer Utilities, Stephen Krebs owns East Houston Utilities (CCN No. 12042), Krebs Utilities, Inc. (CCN No. 11984), and K Lake Water System and Padok Utility (CCN No. 12598).¹¹ East Houston's reply to Staff's March 11, 2022 Supplemental Recommendation on Administrative Completeness indicates that East Houston paid \$38,434 in 2021 income directly to Roving Meadows Utilities (CCN No. 20781).¹²

⁹ Direct Testimony of Stephen P. Krebs (Oct. 24, 2022).

¹⁰ *Krebs Utilities Class D Annual Financial Report*, Project No. 52954 at General Questions A and L (May 25, 2022).

¹¹ *Id.*

¹² *Reply to the Memorandum Dated March 11, 2022* at 12 (Apr. 5, 2022).

Q. Does Mr. Krebs' testimony explain the nature of his or East Houston's relationship with the entities identified above?

A. No. However, East Houston's indicates that it collects payments made by Roving Meadows Utilities' customers and then pays that entity.¹³ East Houston does not operate the Roving Meadows Utilities CCN and it is not financially responsible for the CCN.¹⁴

Q. Is it your opinion that the entities identified above meet the definition of affiliates of East Houston?

A. Yes. Using the definition of affiliate as presented in TWC § 13.002(2)(F), East Houston is an affiliate of Krebs Utilities, Inc., K Lake Water System and Padok Utility, and Roving Meadows Utilities. Because East Houston's owner, Stephen Krebs, also owns Krebs Utilities, Inc. and the K Lake Water System and Padok Utility, the "under common control with the utility" provision applies. Further, because East Houston collects Roving Meadows Utilities' payments from customers, it has the "indirect means" to show "substantial influence or control over the policies and actions of a utility," also a provision of TWC § 13.002(2)(F).

Q. How does East Houston allocate the expenses to its affiliates?

A. Based upon the information in the Application, testimony, responses and replies to Staff's Recommendations on Administrative Completeness, I am unable to determine the allocation method used by Stephen Krebs to assign expense among affiliates.

Q. Is the method the Stephen Krebs used to allocate expenses to the affiliates appropriate?

A. No. Because East Houston failed to present documentation supporting the standards of TWC § 13.185(e) related to affiliates, I am unable to determine the appropriateness of his methods.

¹³ *Id.*

¹⁴ *Id.*

1 **Q. Do you recommend an adjustment to the revenue requirement related to affiliate**
2 **transactions?**

3 A. No. Because of the size of East Houston, any adjustments to remove affiliate payroll and
4 other expenses would be to the financial detriment of the utility. Instead, I recommend
5 that the Commission require East Houston to demonstrate compliance with 13.185(e) by
6 maintaining separate books and records for each utility, reducing all service agreements
7 with Stephen Krebs to writing, providing a detailed cost allocation study, and
8 demonstrating that the costs billed to each utility meet the “no higher than” standard. I
9 recommend that East Houston provide this information in its rebuttal testimony so that I
10 can provide supplemental testimony related to the reasonableness and necessity of the
11 expenses. If East Houston fails to provide responsive information, I recommend that the
12 Commission open a compliance proceeding to monitor East Houston’s progress and
13 require it to reach full compliance by June 30, 2023.

14 **VII. RATE CASE EXPENSES**

15 **Q. What amount of rate-case expenses does East Houston seek to recover in this**
16 **proceeding?**

17 A. At the time of my testimony, East Houston has not requested recovery of any rate-case
18 expenses associated with the processing of this Application.¹⁵

19 **Q. Please explain your recommendation on East Houston’s recovery of rate case**
20 **expense.**

21 A. I recommend that East Houston provide rebuttal testimony that includes documentation
22 supporting the costs incurred to date for processing this Application. Further, I
23 recommend that East Houston follow the requirements of 16 TAC § 24.44 in preparing
24 its request. To the extent that East Houston provides rate-case expense documentation, I
25 plan to supplement this testimony to update my recommendation.

1 **Q. Does this conclude your direct testimony?**

2 A. Yes. I reserve the right to supplement this testimony during the proceeding as new
3 evidence becomes available.

FREDERICK QUIJANO
PUBLIC UTILITY COMMISSION OF TEXAS
LIST OF PREVIOUS TESTIMONY

Docket No. 48591

Review of Rate Case Expenses Incurred by Texas New Mexico Power Company and Municipalities in Docket Nos. 48401, 35038, and 41901

Testimony in support of stipulation filed October 2019

Docket No. 48973

Application of Southwestern Public Service Company for Authority to Reconcile Fuel and Purchased Power Costs

Testimony of calculation of over-recovered fuel balance and interest filed May 2019

Errata testimony for correction on application of Staff adjustments filed June 2019

Docket No. 49148

Application of El Paso Electric Company for a Transmission Cost Recovery Factor

Testimony on Transmission Cost Recovery Factor Revenue Requirement filed April 2019

Docket No. 49831

Application of Southwestern Public Service Company for Authority to Change Rates

Testimony on adjustments to revenue requirement and rate case expenses filed February 2020.

Docket No. 50714

Application of Entergy Texas Inc. to Amend its Distribution Cost Recovery Factor

Testimony on Staff's recommended adjustments to revenue requirement filed May 2020.

Docket No. 50886

Application of Oncor Electric Delivery Company LLC to Adjust its Energy Efficiency Cost Recovery Factor

Testimony in support of settlement and stipulation filed July 2020

Docket No. 50940

Application of El Paso Electric Company to Implement an Interim Fuel Refund

Testimony providing Staff's recommendation regarding the Company's request to refund over-recovered fuel costs filed July 2020

Docket No. 50997

Application of Southwestern Electric Power Company for Authority to Reconcile Fuel Costs

Testimony of calculation of over-recovered fuel balance and interest filed January 2021

Docket No. 51959

Application of Texas-New Mexico Power Company to Amend its Distribution Cost Recovery Factor

Testimony in support of settlement filed July 2021

Docket No. 52040

Application of El Paso Electric Company for Advanced Metering System Deployment Plan, AMS Surcharge, and Non-standard Metering Service Fees

Testimony regarding Staff's recommendation on the recovery of rate-case expenses filed September 2021.

Docket No. 53034

Application of Southwestern Public Service Company for Authority to Reconcile Fuel and Purchased Power Costs

Testimony of calculation of over-recovered fuel balance and interest filed July 2022



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DOCKET 52370

Reply to the Memorandum Dated March 11, 2022

1. See attached Corrected Notice Proposed Rate Change
2. See the balance sheets for CCN 12598 & 11984
*** EHU holds the sewer CCN 20781 but we do not keep financial records. We do not operate or are we financially responsible for this CCN; Roving Meadows Utilities operates and is financially responsible*** *See Income statement for #20781. #attached.*

Thank You,

*Hannah Krebs
Records Coordinator, EHU
281-456-0883
hannahrcehu@gmail.com*

NOTICE OF PROPOSED RATE CHANGE
TO BE PROVIDED TO RATEPAYERS
PURSUANT TO
TEXAS WATER CODE §§ 13.1871 AND 13.18715

AFFIDAVIT

Attachment FQ-3

STATE OF TEXAS

COUNTY OF HARRIS

I, HANNAH KREBS being duly sworn, file this **NOTICE OF PROPOSED RATE CHANGE**

as RECORDS COORDINATOR (indicate relationship to Utility that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Utility); that, in such capacity, I am qualified and authorized to file and verify such notice; and that all statements and matters set forth herein are true and correct.

I further represent that a copy of the attached notice was provided by MAIL
(method of delivery)

to each affected customer, each affected municipality, the Office of Public Utility Counsel, and any other affected party on or about APRIL 25, 20 22

Hannah Krebs
AFFIANT
(Utility's Authorized Representative)

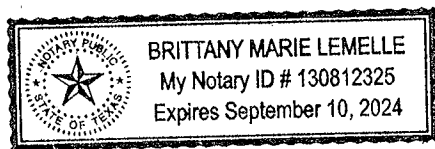
EAST HOUSTON UTILITIES
NAME OF UTILITY

If the Affiant to this form is any person other than the sole owner, partner, officer of the Utility, or its attorney, a properly verified Power of Attorney must be enclosed. Notice may be deemed deficient if the affidavit is executed and notarized before the date the Notice is provided.

SUBSCRIBED AND SWORN TO BEFORE

this the 5 day of April, 20 22, to certify which witness my hand and seal of office.

SEAL



[Signature]
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS
Brittany Lemelle
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES

Sep 10, 2024

**NOTICE OF PROPOSED RATE CHANGE
PURSUANT TO
TEXAS WATER CODE §§ 13.1871 AND 13.18715**

EAST HOUSTON UTILITIES

12042

Company Name

CCN Number(s)

has filed a rate change application with the Public Utility Commission of Texas (Commission or PUCT). The application may be reviewed online at interchange.puc.texas.gov. You may also inspect a copy of the rate change application at your utility's office at the address below or at the Commission's office (1701 N. Congress Ave, Austin, TX 78701). The proposed rates will apply to service received after the effective date provided below, unless modified or suspended by the Commission. If the Commission receives a sufficient number of protests, separately or in a combined protest letter, from at least 2 ratepayers (10 percent of the utility's customers over whose rates the Commission has original jurisdiction) or from any affected municipality before the 91st day after the proposed effective date, the matter will be set for hearing. See **Protest Form on the next page for instructions on how to protest.**

EFFECTIVE DATE OF PROPOSED INCREASE: JUNE 1ST, 2022

(must be at least 35 days after notice is provided to customers and 35 days after application is filed)

(Proposed rates requested by the utility are not final. The Commission may modify the rates and order a refund or credit against future bills all sums collected during the pendency of the rate proceeding in excess of the rate finally ordered plus interest.)

Reason(s) for Proposed Rate Change:

INSUFFICIENT FUNDS TO OPERATE SYSTEM DUE TO CURRENT LOW RATES

BILLING COMPARISON**Water**

Existing	5,000 gallons: \$	27.00	/mo	Proposed	5,000 gallons: \$	215.00	/mo
Existing	10,000 gallons: \$	37.00	/mo	Proposed	10,000 gallons: \$	240.00	/mo

Water – Pass Through Charges

Existing	5,000 gallons: \$	N/A	/mo	Proposed	5,000 gallons: \$	N/A	/mo
Existing	10,000 gallons: \$	N/A	/mo	Proposed	10,000 gallons: \$	N/A	/mo

Sewer

Existing	5,000 gallons: \$	N/A	/mo	Proposed	5,000 gallons: \$	N/A	/mo
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WHITEWING/GUM ISLAND UTILITY

Subdivision(s) or System(s) Affected by Rate Change

11015 SHELDON RD

HOUSTON

TEXAS

77044

Company Address

City

State

Zip

281-456-0883

Company Phone Number

\$52,891

N/A

N/A

Water Annual Revenue Increase

Water Pass-Through Annual Revenue Increase

Sewer Annual Revenue Increase

APRIL 25, 2022

N/A

Date Current Rate Change Notice Delivered

Date of Last Rate Change

*Prior to providing notice, the utility shall file a request for the assignment of a docket number for the application.

RATEPAYER COMMENTS/REQUESTS TO INTERVENE

If you wish to PROTEST the proposed rate change, you must complete this form and file it electronically using the PUC Interchange Filer (<http://www.puc.texas.gov/industry/filings/E-FilingInstructions.pdf>) or mail the original to:

**Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326**

No hearing will be held and the rates will be effective as proposed unless protests are received from at least 10% of ratepayers or from any affected municipality, or the Commission Staff requests a hearing.

CUSTOMER INFORMATION (please provide all of the requested information)

First Name: _____ Last Name: _____

Phone Number: _____ Fax Number: _____

Email Address: _____

Address, City, State: _____

Location where service is received: _____
(if different from the mailing address)

Please select the applicable :

I wish to PROTEST the following proposed rate action/s:

☐ I wish to be a COMMENTER. I understand that: I am NOT a party to this case; my comments are not considered evidence in this case; and I have no further obligation to participate in the proceeding. Public comments may help inform the PUCT of the public concerns and identify issues to be explored. Please provide comments below. Attach a separate page, if necessary.

☐ **I am requesting to INTERVENE in this proceeding.** As an INTERVENOR, I understand that: I am a party to the case; I am required to respond to all discovery requests from other parties; I may be required to attend hearings, and if I file testimony, I may be cross-examined in the hearing; if I file any documents in the case, I must provide a copy to every other party in the case; and I acknowledge that I am bound by the Procedural Rules of the PUCT and the State Office of Administrative Hearings (SOAH).

Signature of Ratepayer: _____

Date: _____

**Si desea informacion en Espanol, puede llamar al
1-888-782-8477**

**Hearing- and speech-impaired individuals with text telephones may contact the PUCT's Customer Assistance Hotline
at
512-936-7136**

NOTICE OF PROPOSED RATE CHANGE – WATER

NOTICE OF PROPOSED RATE CHANGE – WATER

Attachment FQ-3

CURRENT RATES						PROPOSED RATES					
Minimum Monthly Charge includes		3000		gallons		Minimum Monthly Charge includes		5000		gallons	
Meter Size: RESIDENTIAL						Meter Size: RESIDENTIAL					
5/8"		\$		23.00		5/8"		\$		215.00	
3/4"		\$		23.00		3/4"		\$		215.00	
1"		\$		23.00		1"		\$		215.00	
1 1/2"		\$		23.00		1 1/2"		\$		215.00	
2"		\$		23.00		2"		\$		215.00	
3"		\$		23.00		3"		\$		215.00	
Other:		\$				Other:		\$			
GALLONAGE CHARGE:						GALLONAGE CHARGE:					
TIER	VOLUME			CHARGE per 1000 gals.		TIER	VOLUME			CHARGE per 1000 gals.	
Tier 1	3001 & above	to		gals.	\$ 2.00	/1000 gals.	Tier 1	5001 & above	to		gals.
Tier 2		to		gals.	\$	/1000 gals.	Tier 2		to		gals.
Tier 3		to		gals.	\$	/1000 gals.	Tier 3		to		gals.
Tier 4		to		gals.	\$	/1000 gals.	Tier 4		to		gals.
Tier 5		to		gals.	\$	/1000 gals.	Tier 5		to		gals.
MISCELLANEOUS FEES						MISCELLANEOUS FEES					
Tap Fee		\$		310.00		Tap Fee		\$		310.00	
Reconnect Fee: Non-payment						Reconnect Fee: Non-payment (Maximum - \$25.00)		\$		25.00	
Customer's Request		\$		25.00		Customer's Request		\$		25.00	
Transfer Fee		\$		0		Transfer Fee		\$		0	
Late Charge				5%		Late Charge (Indicate either \$5.00 or 10%)				10%	
Returned Check Charge		\$		15.00		Returned Check Charge		\$		15.00	
Deposit		\$		0		Deposit (Maximum \$50.00)		\$		50.00	
Meter Test Fee		\$		25.00		Meter Test Fee (Maximum - \$25.00)		\$		25.00	

Regulatory Assessment of 1% is added to the minimum monthly charge and gallonage charges.
Additional fees and meter sizes may be shown on a separate page.

If applicable, list any bill payment assistance programs to low income ratepayers.

N/A

NOTICE OF PROPOSED RATE CHANGE – SEWER

Attachment FQ-3

N/A

CURRENT RATES		PROPOSED RATES	
Minimum Monthly Charge includes	gallons	Minimum Monthly Charge includes	gallons
Meter Size:		Meter Size:	
RESIDENTIAL		RESIDENTIAL	
5/8"	\$	5/8"	\$
3/4"	\$	3/4"	\$
1"	\$	1"	\$
1 1/2"	\$	1 1/2"	\$
2"	\$	2"	\$
3"	\$	3"	\$
Other:	\$	Other:	\$
GALLONAGE OR FIXED CHARGE:		GALLONAGE OR FIXED CHARGE:	
\$ per <input type="checkbox"/> month; OR <input type="checkbox"/> for each additional 1,000 gallons over the minimum. Gallonage charges are determined based on average consumption for winter period which includes the following months 		\$ per <input type="checkbox"/> month; OR <input type="checkbox"/> for each additional 1,000 gallons over the minimum. Gallonage charges are determined based on average consumption for winter period which includes the following months 	
MISCELLANEOUS FEES		MISCELLANEOUS FEES	
Tap Fee	\$	Tap Fee	\$
Reconnect Fee: Non-payment		Reconnect Fee: Non-payment	
	\$	(Maximum - \$25.00)	\$
Customer's Request	\$	Customer's Request	\$
Transfer Fee	\$	Transfer Fee	\$
Late Charge	\$	Late Charge (Indicate either \$5.00 or 10%)	\$
Returned Check Charge	\$	Returned Check Charge	\$
Deposit	\$	Deposit (Maximum \$50.00)	\$
Meter Test Fee	\$	Meter Test Fee (Maximum - \$25.00)	\$

Regulatory Assessment of 1% is added to the minimum monthly charge and gallonage charges. Additional fees and meter sizes may be shown on a separate page.

If applicable, list any bill payment assistance programs to low income ratepayers.

N/A

East Houston Utilities, Inc.

Profit and Loss

CCN # 12598

January - December 2020

	TOTAL
Income	
Sales	104,633.82
Uncategorized Income	1,125.00
Total Income	\$105,758.82
Cost of Goods Sold	
Chemicals	1,194.53
Job Supplies	6,378.96
Labs/TCEQ	8,505.28
Samples	584.66
Utilities	26,186.10
Total Cost of Goods Sold	\$42,849.53
GROSS PROFIT	\$62,909.29
Expenses	
Advertising & Marketing	267.82
Bank Charges & Fees	762.80
Car & Truck	3,489.11
Contractors	9,067.78
Credit Collection Cost	1,570.48
Equipment Rental	6,187.50
Home Office Expense	1,126.38
Insurance	117.75
Legal & Professional Services	1,800.73
Meals & Entertainment	527.32
Office Expense	524.56
Office Supplies & Software	2,332.48
Other Business Expenses	3,306.04
Payroll	12,562.71
Payroll Tax	1,588.05
Permits	247.5
Reimbursable Expenses	105.00
Rent & Lease	11,509.58
Repairs & Maintenance	3,223.27
Road Maintenance	654.56
Storage	167.97
Taxes & Licenses	309.43
Telephone	69.45
Uncategorized Expense	73.95
Total Expenses	\$61,592.31
NET OPERATING INCOME	\$1,316.98
NET INCOME	\$1,316.98

East Houston Utilities, Inc.

Balance Sheet

CCN 12598

As of December 31, 2020

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
East Houston (ston)	4,271.86
Total Bank Accounts	\$4,271.86
Other Current Assets	
Employee Loan	937.50
Uncategorized Asset	855.53
Total Other Current Assets	\$1,793.03
Total Current Assets	\$6,064.89
Fixed Assets	
Allowance for Depreciation	-23,319.37
ATV-Mule	4,837.50
Shop (Elm 2014)	12,530.62
Tractor	4,687.50
Trailer	2,526.37
Utility Trailer	513.75
Whitewing Water System	750.00
Total Fixed Assets	\$2,526.37
TOTAL ASSETS	\$8,591.26
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
Credit Card	3,761.69
Total Credit Cards	\$3,761.69
Other Current Liabilities	
Payroll Tax Liabilities	41.24
Total Other Current Liabilities	\$41.24
Total Current Liabilities	\$3,802.93
Total Liabilities	\$3,802.93
Equity	
Capital Stock	375.00
Owner's Pay & Personal Expenses	1,521.43
Paid in Capital	11,271.37
Retained Earnings	-12,864.37
Net Income	4,484.90
Total Equity	\$4,788.33
TOTAL LIABILITIES AND EQUITY	\$8,591.26

East Houston Utilities, Inc.

Profit and Loss

CCN # 11984

January - December 2020

	TOTAL
Income	
Sales	139,511.76
Uncategorized Income	1,500.00
Total Income	\$141,011.76
Cost of Goods Sold	
Chemicals	1,592.71
Job Supplies	6,378.96
Labs/TCEQ	8,505.28
Samples	584.66
Utilities	34,914.8
Total Cost of Goods Sold	\$51,976.41
GROSS PROFIT	\$89,035.35
Expenses	
Advertising & Marketing	357.09
Bank Charges & Fees	1,017.07
Car & Truck	4,652.15
Contractors	12,090.37
Credit Collection Cost	2,093.98
Equipment Rental	8,250.00
Home Office Expense	1,501.85
Insurance	157.00
Legal & Professional Services	2,400.98
Meals & Entertainment	703.10
Office Expense	699.42
Office Supplies & Software	3,109.98
Other Business Expenses	4,408.06
Payroll	16,750.28
Payroll Tax	2,117.40
Permits	330.00
Reimbursable Expenses	140.00
Rent & Lease	15,346.15
Repairs & Maintenance	4,297.7
Road Maintenance	872.75
Storage	223.96
Taxes & Licenses	412.58
Telephone	92.60
Uncategorized Expense	98.6
Total Expenses	\$82,123.07
NET OPERATING INCOME	\$6,912.28
NET INCOME	\$6,912.28



East Houston Utilities, Inc.

Balance Sheet

CCN 11984

As of December 31, 2020

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
East Houston (ston)	5,695.82
Total Bank Accounts	\$5,695.82
Other Current Assets	
Employee Loan	1,250.00
Uncategorized Asset	1,140.71
Total Other Current Assets	\$2,390.71
Total Current Assets	\$8,086.53
Fixed Assets	
Allowance for Depreciation	-31,092.50
ATV-Mule	6,450.00
Shop (Elm 2014)	16,707.50
Tractor	6,250.00
Trailer	3,368.50
Utility Trailer	685.00
Whitewing Water System	1,000.00
Total Fixed Assets	\$3,368.50
TOTAL ASSETS	\$11,455.03
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
Credit Card	5,015.59
Total Credit Cards	\$5,015.59
Other Current Liabilities	
Payroll Tax Liabilities	54.99
Total Other Current Liabilities	\$54.99
Total Current Liabilities	\$5,070.58
Total Liabilities	\$5,070.58
Equity	
Capital Stock	500.00
Owner's Pay & Personal Expenses	2,028.58
Paid in Capital	15,028.50
Retained Earnings	-17,152.5
Net Income	5,979.87
Total Equity	\$6,384.45
TOTAL LIABILITIES AND EQUITY	\$11,455.03

SEWER CCN 20781

2021 INCOME: \$38,434 paid directly to Roving Meadows Utilities.

I will list the contact information I have for them.

Ken: 832-483-8140

Tracy Hightower: 713-823-3653

Roving Meadows Utilities receives all monies from customers for the sewer. I'm not sure why Stephen Krebs holds this CCN, but we are transferring it ASAP, as we didn't know previously that Stephen owned it.

Please let me know if you need the payments made to Roving Meadows Utilities; I have bank statements for this. I can also access the payments made by customers that we (EHU) collected and then paid to Roving Meadows Utilities.

EHU does not operate this Sewer CCN or are we financially responsible for this CCN.

Thanks,
Hannah Krebs

The following files are not convertible:

52370 East Houston Staff Schedules.xlsx

Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

Contact centralrecords@puc.texas.gov if you have any questions.