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APPLICATION OF CSWR-TEXAS TO THE STATE OFFICE Utility Operating Company,
LLC Notice of Proposed Rate Change § ADMINISTRATIVE HEARINGS

AFFIDAVIT OF JENNIFER WASHBURN PROVIDING TESTIMONY OF AGAINST THE
PROPOSED CSWR-TEXAS RATE CHANGE

State of Texas §

County of Ellis §

I am writing in opposition to the price increase requested by Central States Water Resources – Texas. Originally, this increase was requested universally for multiple systems among the 62 water supply systems that CSWR-Texas had bundled in acquisitions over recent years. I will limit my testimony here to water systems and not wastewater systems as I do not receive wastewater services from CSWR-Texas.

Introduction

My address is 405 Oak Hill Court, Waxahachie, Texas, 75167. We purchased this home October 31, 2016. The public water utility servicing this home when we purchased it was Carroll Water Company. This residence is within the Emerald Forest system, one of 5 systems that was owned by Walter Carroll Water Company at that time. Our neighborhood is rural and many of the homes here were built prior to 1980, as was ours. There is no Homeowners Association. There is no incorporated organization of any type in this neighborhood which can officially designate a representative on behalf of all residents. I can speak to my family's experience. I can relay some information and opinions expressed by my neighbors over time. I assume that other intervenors have previously submitted comments and that other ratepayers submitted comments in the form of Ratepayer Protests. I do plan to attend the hearing and I may bring questions on behalf of other ratepayers from my system as requested by them individually.

I am an Environmental, Health, and Safety professional and work as a consultant. I do not regularly work on drinking water projects personally, but I am familiar enough with them that I have taken an interest in the various issues that we have had with drinking water in Emerald Forest. I do have experience with Texas Commission of Environmental Quality regulations, inspections, and enforcement actions. I am capable of interpreting laboratory reports and understanding data. I work on similar types of systems and projects, so I am familiar with construction and maintenance of tanks, pumps, and piping. I am familiar with asset management and capital investment in tanks, pumps, and piping. I am involved in estimating and budgeting for upkeep, repair, and capital improvements of both simple and complex systems, particularly those with environmental, health, and safety implications. I am familiar with reading and interpreting regulations in general. For these reasons, I believe that my observations as a consumer also include some additional perspective that may be helpful to the Court.

Background

Upon moving in, we realized that our water quality so far as taste, use for bathing, and use for laundering was concerned was poor. We found the water to be completely unpalatable and purchased a cooler and bottle service. Eventually, we invested in a professionally installed whole house carbon filter system along

with a kitchen sink reverse osmosis (RO) drinking water treatment system to treat water from a kitchen tap as well as from our refrigerator water and ice dispenser. We would not otherwise be able to consume our water. The entire system cost approximately \$5000-6000 and we needed to finance this to afford it. It costs an additional \$400-600 per year to maintain the system. The whole house filter is intended to remove that extreme chlorine odor and taste prior to the water entering the house. Reducing the chlorine is better for our skin and laundry. The filter also helps to screen for grit in normal use, which protects our appliances and plumbing. I do not know how many neighbors have a home treatment system like ours, but a leading complaint in the local Facebook group for Carroll Water NKA CSWR-Texas ratepayers is that water is not usable, smells bad, is discolored, or ruins appliances.

Our neighborhood had its fair number of struggles with the former owners of the water company. Historical files would show complaints about lack of upkeep, billing problems, lack of proper notifications under Texas Commission of Environmental Quality rules, etc. This did lead to numerous ratepayer complaints to both PUCT and TCEQ. Fines were levied. When a principle of the company passed away, it became an attractive proposition for the family to extricate themselves from the business.

CSWR-Texas Rate Increase Discussion

We were notified that CSWR was acquiring the systems. Along with the notifications came marketing materials that claimed the company specialized in buying distressed water systems and making them safe for users. Of course, these materials left the quiet part unsaid. Improvements to water systems result in increased expenses, which, under PUCT rules, can be passed down to ratepayers in rate increases. As a rational homeowner, it was my expectation that if water quality, reliability, and service improved, there would be some value in that. The amount of value and the price point assigned to it was a mystery at that point in time.

The materials seemed a bit too good to be true and they were. CSWR has their business model backwards. Normally, a rational business purchases a new asset, improves upon it and then increases the price associated with that asset to regain their investment of capital and eventually turn a profit. Sometimes loans are used to raise the capital for improvements, repairs are made quickly, and prices are increased to service the debts. CSWR instead has bundled up dozens upon dozens of "distressed" water systems in Texas and has now asked PUCT to approve an advance in the form of an across-the-board price increase. The initial total requested was \$4.8 Million, approximately doubling their annual income from all systems.

This is a capital generating scheme or a cash grab without a solid plan for the cash. It is a blatant attempt to leverage the ratepayers to increase the valuation of their company. The company's submittals talk in vague terms about the disrepair of the systems and give a few concrete examples out of more than 60 systems of the most egregious outstanding repairs. Those submittals do not have work-orders, schedules, equipment purchases, contracts, or any other concrete commitments to do future work. The submittals are joltingly un-technical and appear to have had more input from a marketing team in their preparation than an engineering or construction budgeting team.

There is nothing, not one thing, that will compel this company to make a single repair or upgrade to any of our systems if a price increase is granted to them in advance of repairs. It is astounding to me that a company would market themselves as having an established business model of purchasing distressed water systems to repair and upgrade them for the safety of the customers who use them, but the same company would not have a capital plan already in place for those repairs and upgrades. It is equally

astounding to learn from their filings that they were approved to purchase 62 water systems in less than 3 years' time. I am left to wonder if this raised any flags at PUCT or not. If it did, is PUCT powerless to act on behalf of Texans to circumvent predatory manipulations of our utility rules. These systems serve vulnerable Texans, not large municipalities.

What would stop CSWR from taking the unrepaired systems with locked-in rate increases, and selling them off to (an)other disreputable operator(s) who has no plans to maintain or operate them per standards? What would stop them from conducting business as usual, which is only responding to completely necessary breakdowns and the most glaring problems to avoid complaints or enforcement?

I will hearken back to quote CSWR from the Introduction of initial request for rate increase as they describe their company stating, "This case represents the culmination of a years' long effort by CSWR-Texas, started in 2019, to establish itself as a new entrant water and wastewater utility in Texas willing to invest in and rehabilitate smaller, distressed systems to make available higher quality water and wastewater service to Texans." This wording is a trick of rhetoric. "Willing" is not the same as capable or resourced. As previous testimony and answers loaded to the PUCT Interchange have established, CSWR-Texas is an employee-less operating company incorporated for the purpose of purchasing and permitting systems in Texas. There are no operations in Texas. There are no CSWR-Texas employees. CSWR relies on subcontracted licensed operators to maintain the systems. While CSWR depicts themselves as working with TCEQ to identify systems for takeover, CSWR has received NOV's from TCEQ for multiple systems and has been the subject to at least one Enforcement Action from TCEQ (DOCKET NO. 2021-1530-PWS-E – ABRAXAS UTILITIES). These actions have been issued to CSWR after the purchase of the systems, not to the former owners. There are some existing issues active still that were from previous owners. I am not referring to those. This information is publicly available on the TCEQ Central Registry, however, each Regulated Entity record associated with CSWR-Texas needs to be examined individually.

It is my opinion that this is an out of state entity that noted a soft spot in Texas's deregulated utility market and is attempting to exploit thousands of rural, underserved, and in many cases, low-income Texans to make a large profit. Many of the ratepayers in my neighborhood are on fixed incomes.

My last month's bill was \$45.12. Under the requested increase, my new bill will be \$83.33. That is an increase of \$38.21 which is 90.7% increase.

The level of service and respect from CSWR points to a company that has no long-term interest in their customers. This further raises my suspicions that if the price increases are granted prior to repair and upgrade of the systems the money will not be used responsibly for that purpose. Other than a glossy flyer with marketing claims, this company has done nothing to establish a relationship with their customers. All Carroll Water ratepayers received a document to sign regarding backflow preventors immediately after CSWR-Texas finalized their purchase. The document stated that we were in the Copano water system. When we reached out, we were told to change the document by hand. When asked if they would re-issue the documents with the correct systems specified, ratepayers were told no and that they would be in violation of law if they did not fill it out. Emails sent to their support email with questions were unanswered.

Initially, CSWR-Texas sent invoices to Carroll Water customers that were for other customer's meter connections. For most ratepayers, we received bills for service addresses not even in our own neighborhoods, even those of us for whom our mailing and service addresses are one in the same. There

was zero effort on CSWR-Texas's part to reach out to rectify this issue. Some customers paid invoices for the wrong meters. The company went through multiple billing cycles and did not make any attempt to reach customers by mail or phone to correct their records. They waited until confused customers finally saw the errors on the invoice themselves. The service address is not obvious on their printed bill. It would be very easy to not notice it at all.

Nothing of consequence has been repaired in the Emerald Forest system. Many ratepayers have had a new plastic meter box with a blue lid places on their meter and this is the extend of any upgrades completed. Indeed, I have reasonable information that our submersible pump or some other integral component in our well has been broken for approximately 9 months. On or about 10/21/2022, we lost water pressure to no flow at least twice. During one of those pressure losses a blast of air and gritty silt came through our faucets in the morning at about the time when people were getting ready for work. No boil water notices were issued to our system. In fact, it is not clear how ratepayers are supposed to receive boil water notices from CSWR if they do need to issue one. Due to the grit and silt event, our RO system had to be serviced as well as our whole house filter. I have information currently that Emerald Forest has been receiving water via our cross connection with Buena Vista SUD, an unrelated water system. This cross connection exists to provide water service to our neighborhood in emergencies while repairs are pending. It is possible that we have been supplied water from Buena Vista for 9 months, meaning that CSWR-Texas has elected to delay repairs of the pump or other equipment in the well meant to supply this neighborhood. If this is true, this is significant for a variety of reasons, but for the purposes of this discussion, it is another indication of neglect. CSWR's stated in their request for an increase they have proven a pattern of performance when it comes to necessary repairs. This controverts that statement.

The customer service and dispatch center personnel are untrained, unknowledgeable about the systems, and generally just take messages but relay no information back. At the time of our loss of water pressure / grit event, I called and requested to speak to a member of management, and I specified that I wanted to speak with someone with operations management experience. I had technical and regulatory questions that were not answerable by call center. Additionally, I wanted to see if we could establish a rapport about the needs of the neighborhood and if I could gain an understanding about their company. I was contacted back by a customer service manager.

It was clear the customer service manager did not understand the issues I was concerned with, so I reiterated that I wanted to hear from someone in company operations management. I wanted to discuss the TCEQ requirements for a boil water notice, and what their procedures were. I did not want to contact the TCEQ and make a complaint when I thought that a rational conversation could be had at that point. A couple hours later there was a knock on my door, and a technician from Patterson Water knocked on my door. They are the subcontracted licensed water operator. The technician was neither a manager nor an employee of CSWR-Texas. He was extremely uncomfortable and confused as to why he was sent to knock on my door.

CSWR has a sizable staff of Operations, Compliance, and Regulatory professionals listed on LinkedIn. None of them ever called to inquire about my concerns or to learn what information I might have that would help them understand the system better.

CSWR-Texas was billing us for service in October 2022. The sale of the entity had transitioned, and we were no longer to contact Carroll Water for service questions. Patterson Water was the licensed operator who was operating the system at that time. CSWR-TX took my calls and sent Patterson to my door. After

the technician left, I called again to explain that I did not want to speak to the subcontracted technician. I notified the manager that it was my intention to call TCEQ regarding my questions about loss of pressure and boil water notices if I did not hear back from company management within 30 minutes. I did not and I never have.

I contacted TCEQ that day and spoke to a Fort Worth Regional Investigator. We discussed the situation. What I learned was that because PUCT had not finalized the legal name change and transfer of the permit from Walter Carroll Water to CSWR-Texas, if TCEQ took the complaint or responded that day none of the records would be connected to CSWR-Texas, and nothing would reflect their operational or regulatory neglect. The investigator was willing to come to inspect the site and make a report of findings, but we agreed that it would be an exercise in futility, as the eventual change in registration would wipe their slate clean.

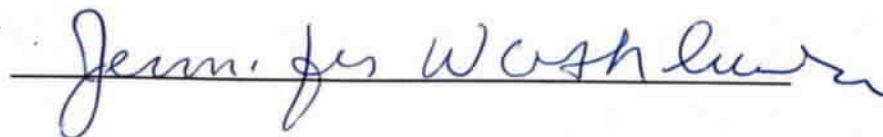
All of this above, to me, is much more indicative of their level of commitment and investment in these water systems than any words that they included in their request for a rate increase or any of their submittals since. Not only did they dodge a ratepayer who was civil on the phone requesting to speak to a knowledgeable company representative about completely legitimate concerns, they knew that they were not in jeopardy of a Notice of Violation because their TCEQ Registration had not yet transferred.

I respectfully urge the Administrative Law Judge to view the CSWR-Texas petition with whatever skepticism is at your discretion, and to please consider the equities of interests in this matter. Doubling or tripling the water bills of thousands of rural Texans can have the implication of forcing many of them to choose between groceries and running water. Doubling the income of a company that entered the business of buying distressed assets in order to make a profit of millions of dollars on those assets without requiring them to do anything more than to pay legal fees for this case would be an injustice.

I must at this time point out that over the last decade, we as a country have seen many failures of business regulatory systems. These failures have often affected poor Americans disproportionately. A pattern that we can all appreciate is a category of businesses that evolved in various industries to purchase "distressed" assets in one manner or another to bundle them in some form to squeeze equity from them. Your Honor, I am pleading that you consider the similarities of this business model within the utility market while you deliberate. We can only ask that your clear-eyed evaluation of motives of CSWR-Texas will help you to scrutinize their records, statements, and answers in order to determine the truth of what they can rightfully request or not request from their ratepayers as an increase.

Thank you for your consideration.

Signed this 14th day of July 2023

A handwritten signature in blue ink, reading "Jennifer Washburn", written over a horizontal line.


Jennifer Washburn

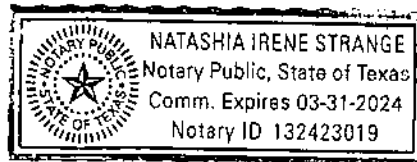
405 Oak Hill Court

Waxahachie, TX 75167

361-945-9977

Witnessed


Witnessed this 14 day of July, 2023



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