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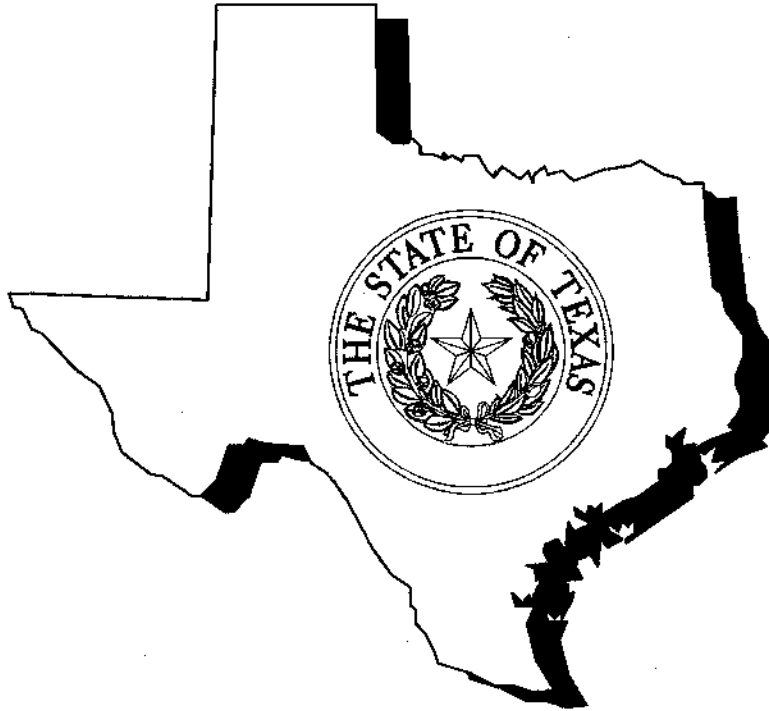
**Item Number - 2405**

**SOAH DOCKET NO. 473-23-18885  
PUC DOCKET NO. 54565**

**APPLICATION OF CSWR-TEXAS  
UTILITY OPERATING COMPANY,  
LLC FOR AUTHORITY TO  
CHANGE RATES**

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**BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE HEARINGS**



**DIRECT TESTIMONY OF  
ETHAN BLANCHARD  
RATE REGULATION DIVISION  
PUBLIC UTILITY COMMISSION OF TEXAS  
AUGUST 4, 2023**

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<b>Attachment ENB-1</b>	Curriculum Vitae
<b>Attachment ENB-2</b>	Meter Ratios and Customer Charge Comparison
<b>Attachment ENB-3</b>	Water and Sewer Rates

## WORKPAPERS ATTACHED ELECTRONICALLY

**I. PROFESSIONAL QUALIFICATIONS**

**Q. Please state your name and business address.**

A. Ethan Blanchard, 1701 N. Congress Avenue, Austin, TX 78701.

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

A. I am employed by the Public Utility Commission of Texas (Commission) as a Rate Analyst in the Tariff and Rate Analysis Section of the Rate Regulation Division.

**Q. What are your principal responsibilities at the Commission?**

A. My principal area of responsibility involves performing analyses of issues such as utility cost allocation, rate design, and tariff filings. My specific responsibilities include: analyzing cost allocation studies, as well as revenue distribution and rate design issues, for regulated electric, water, and wastewater utilities; reviewing tariffs of regulated utilities to determine compliance with Commission requirements; analyzing the financial data of existing utilities, as well as new entrants, in the regulated water industry, deregulated retail electric market, and telecommunications industry.

**Q. Please state your educational background and professional experience.**

A. I earned a Bachelor of Science degree in International Economics & Finance from the Catholic University of America. As an undergraduate, I worked as a teacher's assistant for five courses in economics. In 2021, a few months before graduating, I was hired as a Rate Analyst at the Commission. In 2022, I passed the exam to become a Certified Rate of Return Analyst (CRRA). I have provided a summary of my educational background and professional regulatory experience in Attachment ENB-1.

**Q. Have you filed Testimony before the Commission before?**

A. Yes. Attachment ENB-1 includes a listing of my previously filed testimony.

**II. PURPOSE AND SCOPE OF TESTIMONY**

**Q. What is the purpose of your testimony in this proceeding?**

A. My testimony regarding the application of CSWR-Texas Utility Operating Company, LLC (CSWR-Texas) addresses the meter ratios proposed by CSWR-Texas witness Chris Ekrut. Additionally, I provide the calculation of water and sewer rates associated with Staff's recommendations.

**Q. What items did you review to reach your recommendations?**

A. In preparing my testimony, I reviewed portions of CSWR-Texas's application and direct testimony, certain responses to requests for information, and certain Commission rules and orders.

**Q. If you do not address an issue or position in your testimony, should that be interpreted as Staff supporting CSWR-Texas's position on that issue?**

A. No. The fact that I do not address an issue in my testimony should not be construed as agreeing, endorsing, or consenting to any position taken by CSWR-Texas or any other party to this proceeding.

**III. SUMMARY OF RECOMMENDATIONS**

**Q. Please summarize your recommendations.**

A. The non-standard meter equivalency ratios proposed by CSWR-Texas for use in setting rates should be rejected. I recommend that Staff's proposed water and sewer rates, as shown in Attachment ENB-3, be approved.

**IV. WATER AND SEWER RATES**

**Q. Does Staff support CSWR-Texas's consolidation?**

A. Partially. As addressed by Staff witnesses Kathryn Eiland and James Euton, Staff is recommending removal of 20 water systems from the group of water systems CSWR-Texas is proposing to consolidate ("Consolidated Systems"). Staff is recommending that 17 of the 20 removed systems keep their existing rates. Additionally, Staff is recommending individual, unconsolidated rates for three water and three sewer systems.<sup>1</sup>

**Q. How did you calculate Staff's proposed water rates?**

A. I began with the revenue requirement amounts calculated by Staff witness Kathryn Eiland. She calculated revenue requirements totaling \$3,631,997 for the Consolidated Systems, \$152,813 for the Copano Heights water system, \$148,938 for the Franklin County water system, and \$54,184 for the Quiet Village water system. Components of each of these revenue requirements are allocated between fixed cost and variable cost portions, as requested by CSWR-Texas. For each set of rates, the total fixed cost portion is divided by the total test year meter equivalencies to arrive at the minimum monthly charge per meter equivalency, and this value is multiplied by the appropriate meter ratio to arrive at the fixed monthly charge for that meter size. As discussed below, I propose adjustments to CSWR-Texas's nonstandard meter ratio proposal. Similarly, for the variable cost portion of each revenue requirement, the total variable cost is divided by the test year gallonage values to arrive at the volumetric rates. The results of these calculations are shown in Attachment ENB-3.

**Q. How did you calculate Staff's proposed sewer rates?**

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<sup>1</sup> Cf. Direct Testimonies of James Euton and Kathryn Eiland.

A. I began with the revenue requirement amounts calculated by Staff witness Kathryn Eiland. She calculated revenue requirements totaling \$167,269 for the Abraxas sewer system, \$45,154 for the Laguna sewer system, and \$89,114 for the Quiet Village sewer system. A flat monthly rate for each system is calculated by dividing the system's revenue requirement by 12 and then again by the number of customers. The results of these calculations are shown in Attachment ENB-3.

## **V. METER RATIOS AND EQUIVALENCIES**

### **Q. What are meter ratios?**

A. A meter ratio, formally called Equivalent Meter Capacity Ratio, is the ratio between meters larger than 5/8" and the 5/8" meter—which is the traditional residential meter size—based on maximum operating capacity, per the standards of the American Water Works Association (AWWA).<sup>2</sup> These standard AWWA meter ratios are also required by the Commission's rate filing package,<sup>3</sup> and can be seen in the table below:

<b>Meter Size</b>	<b>5/8" Meter Equivalency</b>
5/8"	1
3/4"	1.5
1"	2.5
1.5"	5
2"	8
3"	15

<sup>2</sup> Chris Woodcock, Rick Giardina, & Tood Cristiano, *M1 Principles of Water Rates, Fees, and Charges* at Appendix B, Seventh Edition (2017).

<sup>3</sup> *Class B Rate/Tariff Change Schedules*, Schedule I-3(a), available at <https://www.puc.texas.gov/industry/water/forms/forms.aspx>.

**Q. What meter ratios were used by CSWR-Texas in this application?**

A. In the direct testimony of Chris Ekrut, Mr. Ekrut states that CSWR-Texas's residential customers take service from 5/8" or 3/4" meters and that CSWR-Texas has chosen to treat customers taking service from 3/4" meters the same as those with 5/8" meters.<sup>4</sup> He then notes that all of the larger meters have been scaled down in a similar fashion by a factor of 1.5.<sup>5</sup> CSWR-Texas's proposal uses the following meter ratios:

Meter Size	5/8" Meter Equivalency (CSWR-Texas) <sup>6</sup>
5/8"	1
3/4"	1
1"	1.67
1.5"	3.33
2"	5.33

**Q. Why is it appropriate to set rates using the standard AWWA meter ratios?**

A. The size of a meter is a physical limit on the water capacity that can be demanded by a customer at any time. The total capacity that the system needs to support is reflected not just by the number of customers, but also by the potential demand of each customer. Therefore, because the system's capacity is a fixed cost, each customer's potential demand represents a fixed cost to the system. In order to set just and reasonable rates according to principles of cost-causation, customers should pay a fixed charge proportional to their capacity demand, which is their meter size.

**Q. Is CSWR-Texas's proposed adjustment to the standard meter ratios appropriate?**

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<sup>4</sup> Direct Testimony of Christ Ekrut at 40-41 (Feb. 13, 2023).

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

A. No. The justification provided to treat 3/4" meters the same as 5/8" meters does not warrant parallel reductions to the meter ratios of larger meters, as proposed by CSWR-Texas. The Company's approach unreasonably shifts costs from the customers with large meters to customers with a 5/8" meter which—according to Mr. Ekrut's testimony—are nearly all residential customers.<sup>7</sup> This results in rates that do not appropriately reflect cost causation and are not just and reasonable.

**Q. Why is CSWR-Texas's approach inappropriate?**

A. By reducing meter ratios, CSWR-Texas decreases the number of meter equivalents, the figure by which the fixed cost portion of the revenue requirement is divided, to arrive at the base (5/8") customer charge. This approach therefore increases the base customer charge for residential customers with a 5/8" meter relative to larger customers, as compared to using the standard meter ratios. In other words, CSWR-Texas's nonstandard approach shifts costs to the customers with 5/8" meters from all of CSWR-Texas's other customers, resulting in rates which would cause cross-subsidization. This is illustrated by Table 3 in Attachment ENB-2.

**Q. What meter ratios do you propose?**

A. I agree with CSWR-Texas's proposal to set equivalent rates for 3/4" meters and 5/8" meters, but I recommend that the proposal to reduce the meter ratios of the larger meters be rejected for the reasons discussed above. Rather than scale down the larger meter ratios, I propose creating a weighted average meter ratio for both 5/8" and 3/4" meters that has the effect of avoiding cost shifting between smaller customers and larger customers. I propose calculating this ratio by dividing the equivalent 5/8" and 3/4" meters—using the standard

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<sup>7</sup> *Id.*

AWWA meter ratios—by the actual number of customers with 5/8” or 3/4” meters. This produces a weighted average meter ratio of 1.26 for smaller customers. Using this method, customers with 5/8” or 3/4” meters will have the same customer charge, as requested, and cost recovery will not be shifted from the larger meters to the smaller meters. Attachment ENB-2 summarizes the ratios used in the Commission’s Rate Change Application, those proposed by CSWR-Texas, and those proposed by Staff.

**Q. Why is your proposed rate calculation adjustment appropriate?**

A. Meter ratios do not affect the revenue requirement or the volumetric rates but shift the recovery of CSWR-Texas’s fixed costs (in the form of the fixed monthly customer charges) between customers of different meter sizes. My adjustment allows CSWR-Texas to charge customers with the 5/8” and 3/4” meters the same rates, while also not shifting cost recovery from customers with larger meters to customers with smaller meters, who are typically residential customers. A comparison of customer charges using different sets of meter ratios can be found in Attachment ENB-2.

**VI. CONCLUSION**

**Q. What do you recommend?**

A. I recommend that the modified meter equivalent I propose be used to set rates, and that Staff’s proposed water and sewer rates, as shown in Attachment ENB-3, be approved.

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

A. Yes

**Ethan N. Blanchard**  
Public Utility Commission of Texas  
1701 North Congress Avenue  
Austin, TX 78701

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**REGULATORY EXPERIENCE:**

Public Utility Commission of Texas, Rate Regulation Division

Rate Analyst, Tariff and Rate Analysis Section

Employed: June 2021 to present.

Duties: Perform analysis of tariff filings, cost allocation, and rate design. Review tariffs of regulated utilities to determine compliance with Commission requirements. Analyze cost allocation studies and rate design issues for regulated electric and water utilities. Analyze policy issues associated with the regulation of the utility industry. Work on contested cases, reports, the development of market rules, and financial review for certifications to regulated water and telecommunication utilities as well as deregulated retail electric providers. Prepare and present testimony as an expert witness on rate and related issues in docketed proceedings before the Commission and the State Office of Administrative Hearings.

**EDUCATION:**

2021      **Catholic University of America**  
*Bachelor of Science: International Economics & Finance - Honors*  
*Minor in French & Francophone Studies*

**List of Testimony Filed at the Public Utility Commission of Texas:**

**Docket No. 53523**, *Complaint of Terry Scruggs against Monarch Utilities I, L.P.* – May 19, 2023

**Docket No. 52715**, *Application of Denton Municipal Electric to Change Rates for Wholesale Transmission Service* – April 10, 2023

**Docket No. 53719**, *Application of Entergy Texas, Inc. for Authority to Change Rates* – December 5, 2022

**Table 1: Meter Equivalency Ratios**

Meter Size	CSWR-Texas	Staff	AWWA Manual
5/8"	1	1.26171	1
3/4"	1	1.26171	1.5
1"	1.67	2.5	2.5
1.5"	3.33	5	5
2"	5.33	8	8

**Table 2: Minimum Monthly Charges at Different Meter Ratios for Consolidated Systems At Staff's Recommended Revenue Requirement**

Meter Size	CSWR-Texas	Staff	AWWA Manual
5/8"	\$ 66.57	\$ 66.51	\$ 52.95
3/4"	\$ 66.57	\$ 66.51	\$ 79.43
1"	\$ 111.17	\$ 131.78	\$ 132.38
1.5"	\$ 221.67	\$ 263.56	\$ 264.76
2"	\$ 354.80	\$ 421.70	\$ 423.62
Unmetered	\$ 101.61	\$ 101.55	\$ 87.99

**Table 3: Proof of Fixed Charge Revenues**

Meter Size	CSWR-Texas	Staff	AWWA Manual
5/8"	\$ 1,064,854	\$ 1,063,894	\$ 846,988
3/4"	\$ 1,169,502	\$ 1,168,448	\$ 1,395,426
1"	\$ 6,670	\$ 7,907	\$ 7,943
2"	\$ 4,258	\$ 5,060	\$ 5,083
Unmetered	\$ 50,324	\$ 50,280	\$ 40,032
Total	\$ 2,295,608	\$ 2,295,588	\$ 2,295,473

**Table 4: Summary of Staff's Recommended Rates**

	<b><u>Consoli- dated Systems</u></b>	<b><u>Copano Heights W</u></b>	<b><u>Franklin County W</u></b>	<b><u>Quiet Village W</u></b>	<b><u>Abraxas S</u></b>	<b><u>Laguna S</u></b>	<b><u>Quiet Village S</u></b>
Volumetric Rate:	\$ 5.84	\$ 13.40	\$ 4.44	\$ 10.92			
Customer Charges:							
5/8"	\$ 66.51	\$ 76.53	\$ 70.89	\$ 17.35			
3/4"	\$ 66.51	\$ 76.53	\$ 70.89	\$ 17.35			
1"	\$ 131.78	\$ 151.29	\$ 140.47	\$ 34.38			
1.5"	\$ 263.56	\$ 302.58	\$ 280.93	\$ 68.76			
2"	\$ 421.70	\$ 484.13	\$ 449.49	\$ 110.01			
Unmetered	\$ 101.55						
Flat Rate					\$ 76.78	\$ 23.04	\$ 43.43

The following files are not convertible:

54565 Attachment ENB-3.xlsx

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

Contact [centralrecords@puc.texas.gov](mailto:centralrecords@puc.texas.gov) if you have any questions.