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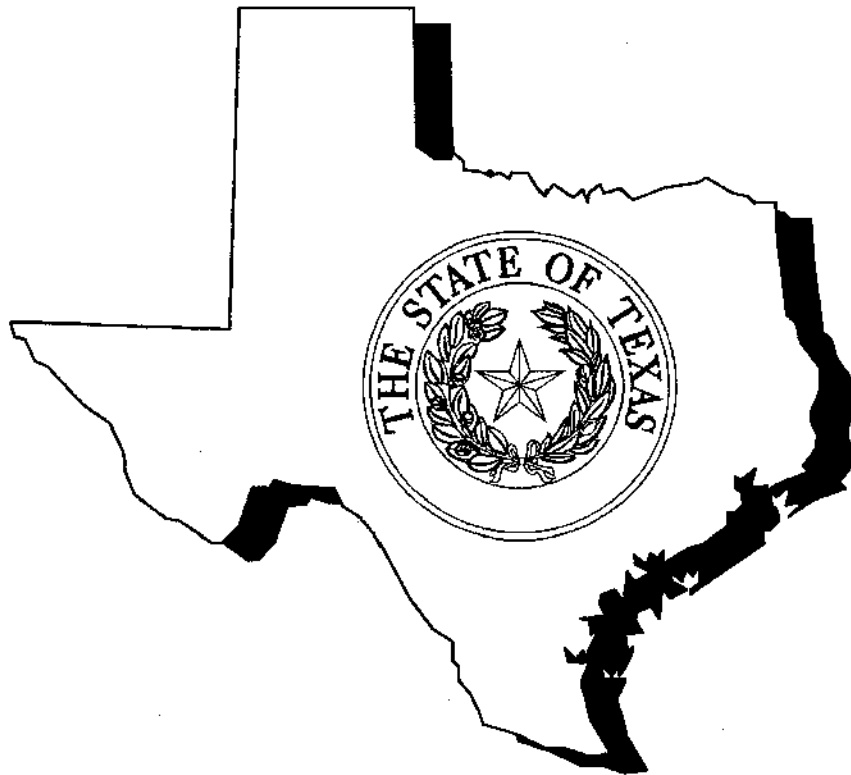
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**SOAH DOCKET NO. 473-24-09299.WS
PUC DOCKET NO. 54966**

PETITION OF ARIZA GOSLING	§	BEFORE THE STATE OFFICE
OWNER LLC APPEALING THE RATES	§	OF
ESTABLISHED BY NORTHAMPTON	§	ADMINISTRATIVE HEARINGS
MUNICIPAL UTILITY DISTRICT	§	



**DIRECT TESTIMONY OF
EMILY SEARS
RATE REGULATION DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS
AUGUST 19, 2024**

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Attachment ES-1 – Resume

Attachment ES-2 – Testimonies

I. INTRODUCTION OF WITNESS

Q. Please state your name and business address.

A. Ms. Emily Sears, Public Utility Commission of Texas, 1701 N. Congress Avenue, Austin, Texas 78711-3326.

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

A. I have been employed by the Public Utility Commission of Texas (Commission) since January 1, 2015. I am a Senior Financial Analyst in the Rate Regulation Division.

Q. What are your principal responsibilities at the Commission?

A. My principal responsibilities at the Commission include reviewing tariff and rate change applications and appeals. I am also responsible for preparing testimony and exhibits for contested case matters involving investor-owned, non-profit, and governmental retail public utilities and wholesale matters as well as participating in settlement negotiations. I also participate in Commission rulemakings.

Q. Please state your educational background and professional experience.

A. I have provided a summary of my educational background and professional experience in Attachment ES-1 to my direct testimony.

Q. Have you previously testified before this Commission or the State Office of Administrative Hearings (SOAH)?

A. Yes. I have also testified before the Pennsylvania Public Utility Commission. Attachment ES-2 provides a summary of the cases in which I have testified at hearing or filed testimony.

II. PURPOSE AND SCOPE OF TESTIMONY

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

A. The purpose of my testimony is to address Northampton Municipal Utility District's (Northampton) debt service and debt service coverage in relation to the rates adopted by Northampton on February 6, 2023 that are appealed by the Petitioner, Ariza Gosling Owner LLC (Ariza) in this proceeding.

Q. If you do not address an issue or position in your testimony, should that be interpreted as Staff supporting Northampton'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 Northampton.

III. SUMMARY OF RECOMMENDATION

Q. Please summarize your recommendations in this docket.

A. The conclusions I have reached and my recommendations in this docket are as follows:

- I recommend debt service of \$777,499 be included in the cost of service.
- I recommend including in Northampton's cost of service an additional amount of \$77,750, based on a debt service coverage factor of 0.10x applied to my recommended debt service amount of \$777,499.

IV. DEBT SERVICE COVERAGE

A. DEBT SERVICE

Q. Please define debt service.

A. Debt service is the annual amount of principal and interest due on outstanding loans.

Q. What is Northampton's current debt service related to the water system?

A. Staff requested in a request for information (RFI) to Northampton to provide the amount of debt service included in the cost of service used to set the water rates for Ariza.¹ The response pointed to JRW-2, which is Northampton's Audited Annual Financial Report (Audit).² The debt service included in the Audit includes the debt for the entire district, including any debt related to the sewer system, roads, drainage, etc. I was unable to locate the amount of debt related only to the water system.

Q. What is your recommendation regarding the amount of debt service to include in the cost of service for the water system?

A. Without a breakdown from Northampton, the only documentation submitted in this proceeding is an estimate from Ariza's witness, Jay Joyce, of \$777,499.³ I recommend using this estimate, unless Northampton provides a more accurate number in rebuttal.

B. DEBT SERVICE COVERAGE AND RATIO

Q. Please define debt service coverage.

A. Debt service coverage is the ratio of funds available to cover annual debt service divided by the annual debt service requirement (principal and interest).

Q. What debt service coverage ratio (DSCR) did Northampton include in its rates?

A. Northampton included an implied DSCR of 1.0x in its rates, as the referenced Audit shows only principal and interest amounts, with no additional coverage.^{4,5}

¹ ES Workpapers at 1-2.

² Direct Testimony of John R. Wallace at JRW-2 (Jun. 7, 2024) (Wallace).

³ Direct Testimony of Jay Joyce, at 21 of 28 (Jun. 28, 2024) (Joyce).

⁴ ES Workpapers at 3 and Wallace at JRW-2 at 30 of 76.

⁵ .

Q. What is your recommended DSCR for Northampton?

A. I recommend a DSCR of 1.10x, which results in an additional \$77,750, for a total debt service and coverage of \$855,249.

Q. What is the basis for your recommendation?

A. While a DSCR of 1.0x is in line with what Northampton included in its rates, it is appropriate to allow for Northampton to recover a “cushion” to be able to reliably pay its annual debt service requirements. There is also Commission precedent to use a 1.10x coverage ratio for a district.⁶ Therefore, I recommend a 1.10x coverage ratio.

Q. Does this conclude your direct testimony?

A. Yes. I reserve the right to supplement this testimony during the course of the proceeding if new evidence becomes available.

⁶ *Ratepayers' Appeal of the Decision by Bear Creek Special Utility District to Change Rates*, Docket Number 49351, Finding of Fact 44, Order on Rehearing (Nov. 19, 2021).

Emily Sears

Professional Experience

- **Public Utility Commission of Texas**
Senior Financial Analyst
Rate Regulation Division
January 2022 - Present
- **Public Utility Commission of Texas**
Financial Analyst
Rate Regulation Division
September 2020 – December 2021
- **Public Utility Commission of Texas**
Utility Rates Analyst
Water Utilities Division
January 2015 - Present
- **Commonwealth of Pennsylvania, Public Utility Commission**
Fixed Utility Financial Analyst
Bureau of Investigation and Enforcement
May 2009 – December 2014
- **Commonwealth of Pennsylvania, Public Utility Commission**
Fixed Utility Financial Analyst
Bureau of Fixed Utility Services
April 2008 – May 2009
- **Nationwide Insurance Company**
Personal Lines Underwriting Screener
October 2004 – May 2007

Education

- **University of Pittsburgh, College of Business Administration**
Bachelors of Science in Business Administration
Major – Finance
August 2004
- **Annual Regulatory Studies Program: Camp NARUC**
Week 1-Introduction to Regulation
August 2008
- **Pennsylvania Public Utility Commission Rate Case Training**
December 2008
- **Society of Utility and Regulatory Financial Analysts**
Certified Rate of Return Analyst
June 2010
- **Utility Finance and Accounting for Financial Professionals**
Seminar June 20-21, 2019
- **Institute of Public Utilities – Advanced Course on Cost Allocation and Rate Design**
November 2-5, 2020

Presentations

- **Pennsylvania Public Utility Commission Rate Case Training**
Presented on Rate of Return/Return on Equity
October 2012, September 2014
- **Public Utility Commission of Texas – Rate of Return Training**
Presented on Rate of Return/Return on Equity
August 2017 – August 2019
- **Society of Utility and Regulatory Financial Analysts**
Presented on Fair Market Value in Texas
April 2022
- **Texas Association of Water Companies**
Presented on PUC Legislative Updates for 2023
August 2023
- **Texas Water Foundation, Texas Water Leaders**
Presented PUC Water Rates and Regulation
September 2023

TESTIMONY SUBMITTED:

I have testified and/or submitted testimony in the following proceedings before the Pennsylvania Public Utility Commission:

- Duquesne Light Company, Docket No. M-2009-2093217
- West Penn Power Company d/b/a Allegheny Power, Docket No. M-2009-2093218
- Duquesne Light Company, Docket No. M-2009-2123948
- West Penn Power Company d/b/a Allegheny Power, Docket No. M-2009-2123951
- Utilities, Inc. – Westgate, Docket No. R-2009-2117389
- Utilities, Inc. of Pennsylvania, Docket No. R-2009-2117402
- PECO Energy Company - Electric Division, Docket No. P-2009-2143607
- PECO Energy Company – Gas Division, Docket No. P-2009-2143588
- Philadelphia Gas Works, Docket No. R-2009-2139884
- York Water Company, Docket No. R-2010-2157140
- City of Lancaster, Docket No. R-2010-2179103
- Columbia Gas of Pennsylvania, Inc., Docket No. R-2010-2215623
- CMV Sewage, Inc., Docket No. R-2011-2218562
- Pennsylvania American Water Company, Docket No. R-2011-2232243
- UGI Penn Natural Gas, Docket No. R-2011-2238943
- Aqua Pennsylvania, Inc., Docket No. R-2011-2267958
- Equitable Gas Company, LLC, Docket No. R-2012-2287044
- Peoples Natural Gas Company, LLC, Docket No. R-2012-2285985
- PPL Electric Utilities Corporation, Docket No. R-2012-2290597
- Columbia Gas of Pennsylvania, Inc., Docket No. R- 2012-2321748
- The City of Lancaster – Sewer Fund, Docket No. R-2012-2310366
- Columbia Gas of Pennsylvania, Inc., Docket No. R-2012-2321748 and M-2012-2323645
- UGI Penn Natural Gas, Docket No. R-2013-2361763
- City of DuBois – Bureau of Water, Docket No. R-2013-2350509
- Pennsylvania-American Water Company, Docket No. R-2013-2355276
- Duquesne Light Company, Docket No. R-2013-2372129
- Pike County Light and Power Company, Gas Division, Docket No. R-2013-2397353
- Pike County Light and Power Company, Electric Division, Docket No. R-2013-2397237
- UGI Penn Natural Gas, Docket No. R-2014-2420273
- Emporium Water Company, Docket No. R-2014-2402324
- City of Lancaster – Water Fund, Docket No. R-2014-2418872
- Peoples TWP, LLC, R-2014-2429613
- Peoples Natural Gas Company, LLC, R-2014-2429606

I have testified and/or submitted testimony in the following proceedings before the Public Utility Commission of Texas and the Texas State Office of Administrative Hearings:

Water and Sewer Cases

- Custom Water Company, LLC., Docket No. 44236
- City of Austin water rate appeal, Docket No. 42857
- City of Austin wastewater rate appeal, Docket No. 42867 (consolidated with Dkt No. 42857)
- Consumers Water, Inc., Docket No. 43076
- Laguna Vista, LTD. and Laguna Trees, Inc., Docket No. 44046
- Quadvest, L.P., Docket No. 44809
- Monarch Utilities I, L.P., Docket No. 45570
- Corix Utilities (Texas), Inc., Docket No. 45418
- Double Diamond Properties Construction Co. dba Rock Creek, Docket No. 46247
- Liberty Utilities Corp., Docket No. 46256
- Double Diamond Utility Company, Inc., Docket No. 46245
- Wolfe Air Park Civic Club, Inc., Docket No. 46923
- City of Forney water rate appeal, Docket No. 47814
- Liberty Utilities, LLC, Docket No. 47976
- W. H. Vlasak, Docket No. 48640
- City of Austin, Docket No. 49189
- Corix Utilities (Texas), Inc, Docket No. 49923
- Bear Creek Special Utility District water rate appeal, Docket No. 49351
- Monarch Utilities I, L.P., Docket No. 50944
- Corix Utilities (Texas), Inc., Docket No. 50557
- Timbercrest Partners, LLC, Docket No. 50197
- Channel Oaks Water Systems, Docket No. 52794
- City of Leander water rate appeal, Docket No. 53063
- Undine Development, LLC, Docket No. 53109
- Aqua Texas, Inc., Docket No. 53428
- Crystal Springs Water Company, Inc., Docket No. 53234
- Aqua Texas, Inc., Docket No. 53428
- Corix Utilities (Texas), Inc., Docket No. 53815
- SW Merger Acquisition Corp., Corix Infrastructure (US) Inc., Texas Water Utilities, LP., Corix Utilities (Texas), Inc., SWWC Utilities, Inc., and Midway Water Utilities, Inc., Docket No. 54316
- CSWR-Texas Utility Operating Company, LLC, Docket No. 54565
- City of Round Rock water rate appeal, Docket No. 48836

Electric Cases

- AEP Texas, Inc., Docket No. 51984
- El Paso Electric Company, Docket No. 52195
- City of College Station, Docket No. 52728
- Golden Spread Electric Cooperative, Inc., Docket No. 52828

- AEP Texas, Inc., Docket No. 53451
- Entergy Texas, Inc., Docket No. 53719
- City of Lubbock, Acting by and through Lubbock Power & Light, Docket No. 54657
- AEP Texas, Inc., Docket No. 56165