



## **Filing Receipt**

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**DOCKET NO. 56479**

<b>APPLICATION OF HORSESHOE BEND</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>WATER COMPANY FOR GOOD</b>	<b>§</b>	
<b>CAUSE EXCEPTION TO THE RATE</b>	<b>§</b>	<b>OF TEXAS</b>
<b>FILING REQUIREMENT</b>	<b>§</b>	

**HORSESHOE BEND WATER COMPANY’S REQUEST FOR GOOD CAUSE  
EXCEPTION TO THE RATE FILING REQUIREMENT**

Horseshoe Bend Water Company (Horseshoe Bend) files this Request for Good Cause Exception to the Rate Filing Requirement. In support, Horseshoe Bend would show the following:

**I. BACKGROUND**

On October 10, 2019, Horseshoe Bend filed an application for the approval of the sale, transfer, or merger (STM) of facilities and certificates of convenience and necessity (CCN) rights in Parker County, Texas.<sup>1</sup> Horseshoe Bend sought to acquire Castle Water, Inc.’s public water system and water service area held under CCN number 10263.<sup>2</sup> On November 29, 2022, the Public Utility Commission of Texas (Commission) approved the STM application, and the Commission administrative law judge (ALJ) filed a Notice of Approval.<sup>3</sup> The Notice of Approval included Ordering Paragraph No. 9, which stated “HBWC must file a comprehensive base-rate proceeding within 18 months of this Notice of Approval.”<sup>4</sup> The Notice of Approval also included Ordering Paragraph No. 7 that states “[t]he temporary rates approved in Docket No. 52341 shall remain in place for 18 months following the issuance of this Notice of Approval to allow for the development of a full historical test year.”<sup>5</sup>

Prior to the issuance of the Notice of Approval in Horseshoe Bend’s STM application, the Commission approved temporary rates for Horseshoe Bend to be effective as of the date of

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<sup>1</sup> *Application of Castle Water, Inc. dba Horseshoe Bend Water System and Horseshoe Bend Water Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Parker County*, Docket No. 50085 (Nov. 29, 2022).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 11.

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

the issuance of the Notice of Approval in the STM application.<sup>6</sup> Temporary rates were approved as part of Horseshoe Bend being taken over as a nonfunctioning utility.<sup>7</sup> Additionally, 16 Texas Administrative Code (TAC) § 24.25(b)(1)(C) states that “[a] person under the original rate jurisdiction of the commission who has obtained an approved for the first time must file a rate change application within 18 months from the date service begins to revise its rates to be based on a historic test year.” Overall, Horseshoe Bend seeks a good cause exception to Ordering Paragraph No. 9 and 16 TAC § 24.25(b)(1)(C) in order to file its rate application by April 1, 2025 with a full 2024 test year.

## **II. GOOD CAUSE EXCEPTION REQUEST**

Horseshoe Bend requests a good cause exception in order to allow additional time for a more fully representative test year, particularly one that reflects the investment and time required to take over a distressed water utility. A 2024 test year will allow for necessary planned capital improvements, and the installation of new meters that will provide more accurate usage and billing data. Allowing for a more representational test year aligns with the Commission’s policy of setting rates that are just and reasonable to both the consumer and utility. Horseshoe Bend has communicated with Commission Staff regarding its request for good cause exception to the rate filing requirements and Commission Staff is unopposed to Horseshoe Bend’s request. Additionally, at Commission Staff’s request, Horseshoe Bend filed its 2023 annual report on April 11, 2024, and provided testimony supporting its request for good cause exception. Furthermore, Horseshoe Bend includes testimony to support its request as Attachment A.

## **III. CONCLUSION**

Horseshoe Bend respectfully requests entry of an order approving its request for a good cause exception to the rate filing requirements. Horseshoe Bend further requests any and all relief to which it may be justly entitled.

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<sup>6</sup> *Application of Mark Patterson for Temporary Rates for a Nonfunctioning Utility*, Docket No. 52341 (Jul. 27, 2022).

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

Respectfully submitted,

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**ATTORNEYS FOR HORSESHOE BEND  
WATER COMPANY**

**CERTIFICATE OF SERVICE**

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on April 12, 2024, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Rashmin J. Asher

Rashmin J. Asher

# **ATTACHMENT A**

**DOCKET NO. 56479**

**HORSESHOE BEND WATER  
COMPANY'S REQUEST FOR GOOD  
CAUSE EXCEPTION TO THE RATE  
FILING REQUIREMENT**

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

**TESTIMONY**

**OF**

**BRYAN THOMAS**

**ON BEHALF OF**

**HORSESHOE BEND WATER COMPANY, LLC**

**APRIL 12, 2024**

TESTIMONY OF  
BRYAN THOMAS

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EXHIBITS

Exhibit 1	Estimated or projected revenue requirements for 2024 test year
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**DOCKET NO. 56479**

**HORSESHOE BEND WATER  
COMPANY'S REQUEST FOR GOOD  
CAUSE EXCEPTION TO THE RATE  
FILING REQUIREMENT**

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**PUBLIC UTILITY COMMISSION  
  
OF TEXAS**

**TESTIMONY OF BRYAN THOMAS**

**I. INTRODUCTION**

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**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Bryan Thomas, and I am the President and General Manager of  
Hearthstone Water, Inc (Hearthstone). My business address is 6808 N. Dysart Road,  
Suite #116, Glendale, Arizona 85307.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. As stated above, I am the President and General Manager of Hearthstone. The  
following Texas utilities are affiliates of Hearthstone:

- Horseshoe Bend Water Company, LLC (Horseshoe Bend)—Johnson and Parker  
Counties, Texas
- Lone Star Water Company—Denton County, Texas

**Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?**

A. I have a Bachelor's degree in Accounting from DeVry University. I am a Certified  
Public Accountant in the State of Arizona. I worked for an Arizona public accounting  
firm specializing in water and wastewater utilities for 14 years. Subsequently, I have  
been employed by Hearthstone (and its predecessors) for over 14 years, first as its Chief  
Financial Officer and now as President and General Manager.

DIRECT TESTIMONY

BRYAN THOMAS



1   **Q.     HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

2   A.     No, I have not previously testified before the Public Utility Commission of Texas  
3           (Commission).

4   **Q.     ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

5   A.     I am testifying on behalf of the Horseshoe Bend.

6   **Q.     WHAT IS THE PURPOSE OF THIS TESTIMONY?**

7   A.     I will explain and support Horseshoe Bend's Request for Good Cause Exception to the  
8           Rate Filing Requirement found in the Notice of Approval in Docket No. 50085 and  
9           16 Texas Administrative Code (TAC) § 24.25.

10                   **II.       REQUEST FOR GOOD CAUSE EXCEPTION**

11   **Q.     PLEASE DESCRIBE HORSESHOE BEND'S REQUEST FOR GOOD CAUSE**  
12           **EXCEPTION.**

13   A.     The Notice of Approval in Docket No. 50085 requires Horseshoe Bend to file a  
14           comprehensive base-rate proceeding within 18 months of the date the Notice of  
15           Approval was filed. The Notice of Approval was filed on November 29, 2022. Based  
16           on the Notice of Approval, Horseshoe Bend should file a comprehensive base-rate  
17           proceeding by May 29, 2024. This is also required under 16 TAC § 24.25(b)(1)(C).  
18           Therefore, Horseshoe Bend requests a good cause exception to file its comprehensive  
19           base-rate proceeding on April 1, 2025, so as to include a full 2024 test year.

**III. REASONING BEHIND REQUEST**

**Q. WHAT DOES THE EARNINGS CALCULATION SHOW ON SCHEDULE VI IN HORSESHOE BEND'S 2023 ANNUAL REPORT?**

A. The overall return stands at 5.57%, comprising an earned return on equity of 6.15%. These figures are based on the annualized adjustments recorded in column (d) of Schedule IV, considering price increases by the on-site contract operator and the depreciation expense associated with the 2023 plant additions.

**Q. WHAT IS THE CAPITAL EXPENDITURE BUDGET FOR HORSESHOE BEND FOR 2024?**

A. Horseshoe Bend has allocated approximately \$75,000 towards well improvements and meter replacements in 2024.

**Q. WHAT STEPS HAS HORSESHOE BEND TAKEN DURING 2024 TO IMPLEMENT THOSE IMPROVEMENTS?**

A. Horseshoe Bend incurred well improvement costs earlier this year of approximately \$57,000. As part of our meter replacement program a total of 39 meters have been replaced this year at a cost of approximately \$7,000. The replacement of meters should be completed by June this year with an additional 61 meters at an estimated cost of \$11,000.

**Q. WHAT BENEFITS WILL UPDATING THE METERS PROVIDE IN RELATION TO HORSESHOE BEND'S COMPREHENSIVE RATE PROCEEDING?**

A. The meter replacements are essential for tracking water loss and ensuring accurate meter readings. Older meters often underestimate water usage, leading to inaccurate

1 readings. By installing new meters, we can improve the precision of our meter readings  
2 and ensure fair and accurate water billing for all customers.

3 **Q. HAVE YOU PROVIDED ESTIMATES REGARDING HORSESHOE BEND'S**  
4 **REVENUE REQUIREMENTS AND EARNINGS FOR THE 2024 TEST YEAR**  
5 **INCORPORATING THE PLANT ADDITIONS DESCRIBED ABOVE?**

6 A. Yes. Exhibit 1 of this testimony provides the estimated or projected revenue  
7 requirements for the 2024 test year. It considers the revenue requirement reflected in  
8 Horseshoe's 2023 Annual Report, adjusted for the capital expenditures detailed earlier.  
9 The 2024 test year projections result in an overall rate of return of 4.6% and a return  
10 on equity of 4.5%.

11 **Q. OVERALL, WHY SHOULD HORSESHOE BEND'S GOOD CAUSE REQUEST**  
12 **BE GRANTED?**

13 A. The new meters will allow for more accurate usage data and a more fully  
14 representational test year. Additionally, more accurate costs of operating the water  
15 system will be included in the comprehensive base proceeding that includes the  
16 increased contractor costs and the well improvements.

17 **Q. WHAT IS COMMISSION STAFF'S POSITION ON THE GOOD CAUSE**  
18 **EXCEPTION?**

19 A. Horseshoe Bend has reached out to Commission Staff who is unopposed to the request.

20 **Q. IS THERE ANYTHING ELSE YOU WOULD LIKE TO SHARE?**

21 A. Yes, Hearthstone purchased the water system in 2023.

22

1 IV. CONCLUSION

2 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

3     A.     Yes, it does.

DIRECT TESTIMONY

BRYAN THOMAS

# **EXHIBIT 1**

STATEMENT OF INCOME

	Adjusted for Earnings Per 2023 Annual Report (1)	Estimated Investment in 2024 (2)	Estimated 2024 Test Year Revenue Requirment
1 Revenues	\$415,034		\$415,034
<b><u>Operating Expenses</u></b>			
2 Operating/Maint Supplies	\$49,012		\$49,012
3 Purchased Power	\$21,452		\$21,452
4 Testing Expense	\$651		\$651
5 Chemicals	\$2,616		\$2,616
6 Insurance	\$2,679		\$2,679
7 General Office Expenses	\$10,511		\$10,511
8 Contract Acctg, legal, Mgnt	\$193,542		\$193,542
9 Depreciation Expense	\$66,482	\$2,014	\$68,496
10 Other Misc. Expenses	\$17,697		\$17,697
11 Subtotal O&M	<u>\$364,642</u>	\$2,014	<u>\$366,656</u>
12 Federal Income Taxes (Actual)	\$5,569	\$423	\$5,992
13 All Other Taxes	<u>\$11,087</u>		<u>\$11,087</u>
14 Total O&M	<u><u>\$381,298</u></u>		<u><u>\$383,735</u></u>
<b><u>Rate Base</u></b>			
15 Utility plant	\$2,340,375	\$74,462	\$2,414,837
16 Reserve for depreciation (Accumulated)	<u>(\$1,747,650)</u>		<u>(\$1,747,650)</u>
17 Net Plant	<u>\$592,725</u>	\$74,462	<u>\$667,187</u>
18 Working cash (capital) (1/8 Cash O&M)	\$37,270		\$37,270
19 Contributions in aid of construction	<u>(\$20,179)</u>		<u>(\$20,179)</u>
20 Accumulated deferred income taxes	<u>(\$3,672)</u>		<u>(\$3,672)</u>
21 Total Rate Base	<u><u>\$606,144</u></u>	\$74,462	<u><u>\$680,606</u></u>
<b><u>Actual Rate of Return</u></b>			
22 Return	\$33,736		\$31,299
23 Rate of Return (Line 17/Line 16)	5.57%	-0.97%	4.60%
24 Earned Return on Ending Equity (Notes 2, 3)	6.14%	-1.64%	4.50%

(1) As reflected in Column (c) of Schedule IV

(2) As described in the Testimony of Bryan N. Thomas:

	Plant	Deprec
Meters - Investment/Depreciation	\$17,500	\$875
Well - Investment/Depreciation	\$56,962	\$1,139
<b>Total</b>	<u><u>\$74,462</u></u>	<u><u>\$2,014</u></u>