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<b>APPLICATION OF TEXAS WATER</b>	<b>§</b>	<b>BEFORE THE STATE OFFICE</b>
<b>UTILITIES, L.P. FOR AUTHORITY TO</b>	<b>§</b>	<b>OF</b>
<b>CHANGE RATES</b>	<b>§</b>	<b>ADMINISTRATIVE HEARINGS</b>

**REBUTTAL TESTIMONY**

**OF**

**ERIC SABOLSICE**

**ON BEHALF OF**

**TEXAS WATER UTILITIES, L.P.**

**JANUARY 10, 2025**

**REBUTTAL TESTIMONY OF  
ERIC SABOLSICE**

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**REBUTTAL TESTIMONY OF  
ERIC SABOLSI**

**I. INTRODUCTION**

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

A. My name is Eric Sabolsice. My business address is 2150 Town Square Place, Suite 400, Sugar Land, TX 77479.

**Q. FOR WHOM DO YOU WORK AND IN WHAT CAPACITY?**

A. I work for Texas Water Utilities, L.P. ("TWU") as Senior Vice President of Operations.

**Q. ARE YOU THE SAME ERIC SABOLSI WHO PROVIDED DIRECT TESTIMONY IN THIS CASE?**

A. Yes.

**II. PURPOSE OF REBUTTAL TESTIMONY**

**Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?**

A. The purpose of my rebuttal testimony is to respond to the recommendations of the Office of Public Utility Counsel's ("OPUC") expert witness, Nelisa Heddin, regarding disallowances of certain rate base items, as found in her direct testimony. Specifically, I respond to the following:

- OPUC's recommendation to disallow roughly \$464 thousand of plant deemed by OPUC to be leak repairs; and

- OPUC's recommendation to disallow roughly \$713 thousand of plant associated with tank repainting and recoating.

### **III. RESPONSE TO OPUC'S RECOMMENDATION TO DISALLOW PLANT DEEMED LEAK REPAIRS**

#### **Q. PLEASE SUMMARIZE OPUC'S RECOMMENDATION.**

A. Ms. Heddin reviewed TWU's asset records and identified those she considered to be associated with leak repair (e.g., the asset's description references "circle clamps"). Ms. Heddin then removed these asset costs from rate base and made corresponding adjustments to TWU's revenue requirement to reflect depreciation expense, taxes, and return, as well as to add to operations and maintenance ("O&M") expenses for the leak repair costs incurred during the test year.<sup>1</sup>

#### **Q. HOW DO YOU RESPOND TO MS. HEDDIN'S RECOMMENDED DISALLOWANCE?**

A. The leak repair costs are appropriately capitalized because they are part of larger capital projects, not isolated costs. To be efficient, TWU approaches leak repairs in a two-step process. Water leaks can occur at any time and the initial priorities for first responders are to prevent property or street damage, control erosion, avoid excessive amounts of silt entering the storm-water systems, and most importantly, maintain distribution system pressure and avoid excess water loss. The leak is isolated using main line valves and then excavated. Notice is provided to affected customers through TWU customer service. Depending on the type of line failure, if possible, a clamp is installed to allow immediate restoration of service to customers. Subsequently, a TWU repair crew is scheduled to install a new section of water main. Customers are provided with advance

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<sup>1</sup> Direct Testimony of Nelisa Heddin at 24:6–27:7 (Nov. 4, 2024) (Heddin Direct).

notice of the planned outage through TWU customer service to ensure that no one taken by surprise when the new main line is installed. TWU's practice is to avoid leaving repair clamps in place long-term as any main that has failed resulting in a leak tends to fail again in other areas and require replacement. Secondly, a repair clamp is less reliable than an intact section of a properly installed section of pipe. TWU's approach to capitalizing the entire project is appropriate and represents a prudent approach to managing its buried infrastructure. As such, these assets are appropriately capitalized as part of larger capital projects and should not be disallowed from rate base. The service life TWU has assigned to these assets is appropriate because this is the useful life for which we have guidance per our depreciation study.

**IV. RESPONSE TO OPUC'S RECOMMENDATION TO DISALLOW PLANT ASSOCIATED WITH REPAINTING AND RECOATING**

**Q. PLEASE SUMMARIZE OPUC'S RECOMMENDATION.**

A. Ms. Heddin reviewed TWU's asset records and identified those she considered to be associated with repainting and recoating. Ms. Heddin then removed these asset costs from rate base and made corresponding adjustments to TWU's revenue requirement to reflect depreciation expense, taxes, and return, as well as to add to O&M expenses the leak repair costs incurred during the test year.<sup>2</sup>

**Q. HOW DO YOU RESPOND TO MS. HEDDIN'S RECOMMENDED DISALLOWANCE?**

A. The tabs titled NH4.47 to NH4.50 in the spreadsheet titled Analysis and Work Papers of Nelisa Heddin were reviewed for projects associated with repainting and recoating of assets. One project was found to be the construction of a new ground storage tank

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<sup>2</sup> *Id.* at 27:8–31:11.

1 (“GST”) and should remain in rate base as the cost is appropriately capitalized as part  
2 of the new GST. This asset is identified on NH 4.48, Line No. 5, Asset Number  
3 20012034, titled HVOF GST with a value of \$179,725 as of December 31, 2023.  
4 Therefore, this asset should remain in rate base. TWU does not oppose Ms. Heddin’s  
5 recommendation relating to the other identified assets.

6 **V. CONCLUSION**

7 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

8 **A.** Yes, it does.