

U-36836 (2)
6-15-2023

LOUISIANA PUBLIC SERVICE COMMISSION

PEOPLES OF BASTROP, LLC

P.O. Box 70
Bastrop, Louisiana 71221-0070
318-281-2160

WATER SERVICES

Contractors	Any Service _____	\$75.00
Temporary Service for Fire Hydrant	Any Service _____	Actual Cost of Meter

If the amount of such deposit as originally made proves to less than one-half times the consumer's maximum monthly bill, the Company shall have the right to require such consumer to increase the deposit to one and one-half the maximum monthly bill.

Effective: June 15, 2021
3 of 5
Authority: Order No. S-35579

Tariff Version 2, Initial-Tariff-Page

LOUISIANA PUBLIC SERVICE COMMISSION

PEOPLES OF BASTROP, LLC

P.O. Box 70
Bastrop, Louisiana 71221-0070
318-281-2160

WATER SERVICES

TURN-ON/AND RECONNECTION FEE, PREMISE VISIT FEE, AND SERVICE CHARGE

1. A turn-on fee of \$20.00 will be collected for each turn-on or connection for service.
2. A turn-on fee of \$20.00 will be collected for each turn-on following cutoff for non-payment of bill.
3. A premise visit fee of \$10.00 will be collected by company personnel when a customer offers to pay in full the delinquent bill and the premises visit fee to avoid immediate cutoff for non-payment of bill. This payment must be made with either check or money order during regular business hours.
4. A fee of \$20.00 will be collected for each interruption of service made at the customer's request, i.e. for turn-off for repairs on customer's premises.
5. A service charge of \$20.00 will be charged to each customer who issued a check for payment, with insufficient funds.
6. In the event that the Customer requests the Company to connect, re-connect, or to otherwise take action necessary to provide water service to Customer's premise(s), and further in the event that after the Company takes the action necessary to commence such water service to Customer, the Customer sustains water damage or other damages of any kind as a result of 1) defective, leaking, or inadequately-installed piping behind Customer's meter point, 2) Customer's having left a faucet, valve or other water connection turned on, or 3) other action or inaction of Customer resulting in damages, the Company and Customer agree that Company shall have no liability or financial responsibility whatsoever for any damages of any kind.

INTERIM CAPITAL IMPROVEMENTS CHARGE

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Pursuant to LPSC Order U-_____, POB shall include on customer bills a charge to recover costs associated with capital improvements funded by the Louisiana Department of Health's Drinking Water Revolving Loan Fund Program. Debt service associated with such loans shall be recovered as a separate line-item charge on customer bills until moved into base rates in a subsequent rate proceeding.

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Effective: _____ June 15, 2021
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Tariff Version 2, Initial-Tariff-Page

LOUISIANA PUBLIC SERVICE COMMISSION

PEOPLES OF BASTROP, LLC

P.O. Box 70

Bastrop, Louisiana 71221-0070

318-281-2160

WATER SERVICES

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Effective: _____ *June 15, 2021*
5 of 5
Authority: Order No. _____ S-35579

Tariff Version 2, Initial-Tariff—Page

ATTACHMENT D.2

PROPOSED REVISED WATER TARIFF

(clean)

LOUISIANA PUBLIC SERVICE COMMISSION

PEOPLES OF BASTROP, LLC

P.O. Box 70
Bastrop, Louisiana 71221-0070
318-281-2160

WATER SERVICES

AVAILABILITY

This service is available under the general Terms and Conditions of Service of the Company to all customers of water service within Bastrop, Louisiana and environs.

BASE RATES:

First 2,000 gallons	\$ 25.00 Minimum per month
All Additional	\$ 5.42 per 1,000 gallons

SPRINKLER RATES:

<u>SIZE</u>	<u>MONTHLY RATE</u>
2" Service	\$ 30.00
4" Service	\$ 69.00
6" Service	\$105.00
8" Service	\$139.00
10" Service	\$237.50

*No bill will be rendered for less than the monthly rate. This rate is available to sprinkler system customer's premises only for the purpose of protection from and/or extinguishment of fire.

FIRE HYDRANT RATES (per hydrant charge):

1. Stand-by service for protection from and/or extinguishment of fire from Company furnished fire hydrant - \$43.50 per month.
2. Stand-by service for protection from and/or extinguishment of fire from privately owned hydrant on main pressurized by Company mains \$9.11 (U-19153 – no longer offered)
3. Bulk sales or temporary service from fire hydrant – \$92.00 service charge plus otherwise applicable base rate will apply for each installation or meter relocation.
4. Hydrants for City of Bastrop - \$1,785.74 per month (not per hydrant charge).

Effective: _____
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Tariff Version 2, Page 1 of 3

LOUISIANA PUBLIC SERVICE COMMISSION

PEOPLES OF BASTROP, LLC

P.O. Box 70
Bastrop, Louisiana 71221-0070
318-281-2160

WATER SERVICES

TAPPING FEES

SIZE

3/4" Service	\$650.00 plus cost of materials
1" Service	\$650.00 plus cost of materials
1 1/2" Service	\$650.00 plus cost of materials
2" Service	Actual Cost

*The Company reserves the right to determine the size of the service necessary to serve a new customer. Applies to service application where service has not heretofore been rendered necessitating therefore a connection between service line and water main.

DEPOSITS

The following consumer deposits will be on new accounts and accounts that are disconnected for non-payment:

<u>CLASSIFICATION</u>	<u>AMOUNT OF DEPOSIT</u>
Domestic Consumer	\$75.00
Commercial	\$75.00
Industrial	\$75.00
Service Station	\$75.00
Contractors	\$75.00
Temporary Service for Fire Hydrant	Actual Cost of Meter

If the amount of such deposit as originally made proves to less than one-half times the consumer's maximum monthly bill, the Company shall have the right to require such consumer to increase the deposit to one and one-half the maximum monthly bill.

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6. In the event that the Customer requests the Company to connect, re-connect, or to otherwise take action necessary to provide water service to Customer's premise(s), and further in the event that after the Company takes the action necessary to commence such water service to Customer, the Customer sustains water damage or other damages of any kind as a result of 1) defective, leaking, or inadequately-installed piping behind Customer's meter point, 2) Customer's having left a faucet, valve or other water connection turned on, or 3) other action or inaction of Customer resulting in damages, the Company and Customer agree that Company shall have no liability or financial responsibility whatsoever for any damages of any kind.

INTERIM CAPITAL IMPROVEMENTS CHARGE

Pursuant to LPSC Order U-____, POB shall include on customer bills a charge to recover costs associated with capital improvements funded by the Louisiana Department of Health's Drinking Water Revolving Loan Fund Program. Debt service associated with such loans shall be recovered as a separate line-item charge on customer bills until moved into base rates in a subsequent rate proceeding.

EXHIBIT 1

DIRECT TESTIMONY OF JEFFREY MCNEW

[PUBLIC-REDACTED VERSION]

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

<hr/>		
PEOPLES OF BASTROP, LLC, EX PARTE.)	DOCKET NO. U-_____
)	
DOCKET NO. U-_____ - APPLICATION)	
OF PEOPLES OF BASTROP, LLC FOR (A))	
APPROVAL OF (I) AN INCREASE IN)	
WATER RATES, (II) CHANGE IN RATE)	
DESIGN, (III) CHANGES TO WATER)	
TARIFF AND (IV) INTERIM CAPITAL)	
IMPROVEMENTS CHARGE, AND (B) NON-)	
OPPOSITION TO LOANS.)	
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Direct Testimony of

Jeffrey McNew

On behalf of

Peoples of Bastrop, LLC

PUBLIC REDACTED

APPLICATION EXHIBIT 1

June 15, 2023

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

PEOPLES OF BASTROP, LLC, EX PARTE.)
)
DOCKET NO. U-_____ - APPLICATION)
OF PEOPLES OF BASTROP, LLC FOR (A))
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TARIFF AND (IV) INTERIM CAPITAL)
IMPROVEMENTS CHARGE, AND (B) NON-)
OPPOSITION TO LOANS.)

DOCKET NO. U-_____

STATE OF LOUISIANA)
)
PARISH OF OUACHITA) SS

Affidavit of Jeffrey McNew

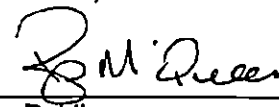
Jeffrey McNew, being first duly sworn, on his oath states:

1. My name is Jeffrey McNew. I am General Manager of Peoples of Bastrop, LLC ("POB"), a public utility that provides water service in Morehouse Parish, Louisiana. POB's principal place of business is located at 217 N Liberty St, Bastrop, LA 71220. I am also a co-owner of POB through my ownership interest in JACS Water, LLC and Utility Acquisition No. 1, LLC.
2. Attached hereto and made a part hereof for all purposes is my direct testimony which were prepared in written form for introduction into evidence in this proceeding before the Louisiana Public Service Commission.
3. I hereby swear and affirm that my testimony is true and correct and that it shows the matters and things that it purports to show.

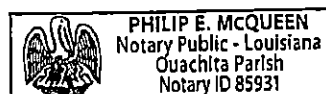


Jeffrey McNew

Subscribed and sworn to before me this 13th day of June, 2023.



Notary Public



BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

PEOPLES OF BASTROP, LLC, EX PARTE.)	DOCKET NO. U-_____
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Direct Testimony of Jeffrey McNew

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Appendix A: Resume of Jeffrey McNew

1
2

**BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION**

PEOPLES OF BASTROP, LLC, EX PARTE.)	DOCKET NO. U-_____
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OPPOSITION TO LOANS.		

Direct Testimony of Jeffrey McNew

3 **I. INTRODUCTION**

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

5 A Jeffrey McNew. My business address for Peoples of Bastrop, LLC ("POB") is 217 N
6 Liberty St, Bastrop, LA 71220.

7 **Q WHAT IS YOUR OCCUPATION?**

8 A I am General Manager of POB, a for-profit public utility that provides water service in
9 Morehouse Parish. I am also an owner of POB through my ownership interest in JACS
10 Water, LLC and Utility Acquisition No. 1, LLC. In addition, I am an owner and Manager
11 of JACS Water, LLC and the Director and President of Northeast Louisiana Utilities,
12 Inc., which provides operational services to various companies serving approximately
13 28,500 water and/or wastewater customers in Northeast Louisiana.

1 **Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

2 A This information is included in Appendix A to my testimony.

3 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

4 A I am testifying on behalf of POB, in support of its proposed rate increases, use of an
5 interim line-item charge for recovery of debt service associated with loans for capital
6 improvements to be funded through the Louisiana Department of Health ("LDH")
7 Drinking Water Revolving Loan Fund ("DWRLF") program, changes to rate design,
8 changes to POB's water tariff, and non-opposition to POB's closing on loans through
9 the LDH DWRLF program.

10 **Q WHAT IS THE SUBJECT MATTER OF YOUR DIRECT TESTIMONY?**

11 A My testimony supports the reasonableness of POB's requested relief in this
12 proceeding. First, I provide an overview of POB and its water system and operations.
13 Second, I address POB's need for the rate increases, including primarily for (i)
14 increases in operating expenses, and (ii) debt service expenses associated with capital
15 improvement projects. Third, I address POB's proposed use of a line-item charge to
16 recover debt service expenses associated with the capital improvements until such
17 time as those expenses are moved into base rates in a subsequent rate application
18 ("Interim Capital Improvements Charge"). Fourth, I address POB's proposed changes
19 in its rate design, including use of a single set of base and volumetric rates for all
20 customers and uniform use of 2,000 gallons for the water allocation included in POB's
21 minimum charge regardless of the customer's meter size. Fifth, I address POB's
22 request for changes to its water tariff, including structural changes and changes to

1 incorporate the proposed new. And sixth, I address POB's request for non-opposition
2 to enter into loans to finance its Capital Improvement Plan ("CIP"). Finally, I introduce
3 POB's other witness testifying on behalf of POB and in support of its requested relief
4 in this proceeding.

5 **Q WILL YOU BRIEFLY SUMMARIZE YOUR CONCLUSIONS?**

6 **A** Yes, in my opinion:

- 7 • POB operates its water system for the benefit of its customers. POB regularly
8 evaluates the needs for upgrades and improvements to its systems and seeks
9 to undertake those projects using cost-effective means to ensure it is continuing
10 to provide reliable and safe water service to its customers at the lowest
11 reasonable cost.
- 12 • POB's proposed revenue requirement and rate increases will result in just and
13 reasonable rates that are necessary for POB to provide safe, reliable and cost-
14 effective water services to its customer and to maintain compliance with
15 environmental regulations, and thus POB's proposed rate increases are in the
16 public interest.
- 17 • The CIP projects are reasonable and necessary as POB's water system must
18 address emerging contaminants issues to comply with regulations of the
19 Louisiana Department of Health ("LDH") and to improve reliability and quality of
20 service.
- 21 • POB's use of a proposed new and temporary Interim Capital Improvements
22 Charge for recovery of debt service expense associated with capital
23 improvements is appropriate. The capital projects are needed to address
24 emerging contaminant issues, and by financing the projects entirely through
25 loans available through the LDH DWRLF program, up to approximately \$7.1
26 million of the approximately \$12.8 million in loans for the capital projects is
27 expected to be forgiven, with the remaining \$5.7 million in loans to be amortized
28 over a period of up to 30 years at 2.45 percent interest. Thus, these low-interest
29 loans to finance necessary capital improvements will result in millions of dollars
30 in benefits to customers, even in the unlikely event that a portion of the loans
31 are not forgiven. During construction, POB will be required to make interest-
32 only payments on a quarterly basis only the unforgivable portion of the loans
33 (\$5.7 million). Interest and principal payments would begin upon final closing,
34 after the capital improvement projects are completed. Given the timing and
35 incremental amount of debt service expenses associated with the loans and the
36 benefits to customers from POB undertaking these capital projects through low-
37 cost financing available through the LDH DWRLF program, use or a temporary

1 line-item charge for recovery of the debt service is appropriate until the final
2 debt service expense can be moved into POB base rates in a subsequent rate
3 proceeding.

- 4 • POB's proposal to restructure its rates to eliminate its three "Optional Rates"
5 that are available for larger water customers is reasonable as it will result in a
6 single set of rates for all customers and uniform allocation of 2,000 gallons of
7 water in the minimum charge. POB's proposed elimination of the Optional Rates
8 is expected to result in a minimal financial impact (estimated to be less than
9 \$7,900 per year based on current rates) but will simplify the management and
10 administration of the rates. Further, eliminating the amount of water greater
11 than 2,000 gallons per month allocated in the minimum charge ensures a
12 consistent pricing signal to customers to minimize water waste and, where
13 practical, conserve water.
- 14 • Other proposed changes to POB's tariffs for water and sewer services are
15 reasonable and should be approved, including the structural / typographical
16 changes and the addition of the Interim Capital Improvements Charge.
- 17 • POB's request for the LPSC's non-opposition to POB's closing on
18 approximately \$12.8 million in loans through the LDH DWRLF program is in the
19 public interest as it will save POB customers millions of dollars for necessary
20 capital improvement projects - - *even in the unlikely event that a significant*
21 *portion of the loans are not forgiven* - - due to the loans' low interest compared
22 to interest rates that would otherwise be available to POB in today's interest
23 rate environment.

24 II. OVERVIEW OF PEOPLES OF BASTROP

25 Q PLEASE DESCRIBE POB.

26 A POB is a for-profit, LPSC-jurisdictional utility providing water service, including potable
27 water production, treatment, storage, and distribution, in and around the City of Bastrop
28 in Morehouse Parish, Louisiana. POB provides water service to approximately 6,400
29 customers.¹ The estimated average monthly consumption of POB's Domestic

¹ POB customer data is based on an average of customers in 2022. For properties where more than one customer is served by a single meter (e.g., duplexes, triplexes), the number of customers is based on the number of units in the complex.

1 customers is approximately 4,500 gallons. POB is equally owned by JACS Water, LLC,
2 Stem Investments, LLC, and Utility Acquisition No. 1, LLC, and its principal place of
3 business is located at 217 N Liberty Street in Bastrop, Louisiana. POB is managed by
4 me and Mr. Philip McQueen, as General Managers, and Mr. Doil Nelson, as Project
5 Manager.

6 **Q PLEASE PROVIDE BACKGROUND ON POB AND THE LPSC'S REQUIREMENT**
7 **FOR POB TO FILE THIS RATE APPLICATION.**

8 A POB acquired the water utility system and related assets of Water Treatment &
9 Controls Company in June 2021, pursuant to authorization of the Commission in
10 Docket No. S-35579. As a condition of its authorization, the Commission required POB
11 to submit to a full base rate proceeding following the 2022 test year or one year after
12 certain capital improvements were in use and useful, whichever is sooner. This
13 deadline was later extended by the Commission to June 15, 2023.²

14 **III. POB's REQUESTED RATE RELIEF**

15 **Q PLEASE PROVIDE AN OVERVIEW OF GOWC'S REQUESTED RATE RELIEF?**

16 A As a regulated public utility, POB is seeking relief in this rate case in order to support
17 its ability to continue providing safe and reliable service to customers by providing POB
18 the ability to fund necessary capital improvements and pay for increases in reasonable
19 and necessary operating expenses. POB's requested relief has the following principal

² See, LPSC Order S-35579-A, at Paragraph 17.

1 components: (i) approval of increases in water and sewer base rates, (ii) approval of
2 changes in design of GOWC water rates, (iii) approval of changes to POB's water tariff,
3 (iv) approval of use of an Interim Capital Improvements Charge, and (iv) non-opposition
4 to the issuance of approximately \$12.8 million in new loans through the LDH DWRLF
5 program, of which POB expects \$7.1 million will be forgiven by LDH, leaving
6 approximately \$5.7 million to be financed at a low-interest rate of 2.45 percent over a
7 period of up to 30 years. Since POB's capital structure is primarily debt, the approval
8 of the new loans by LDH depends on the Commission's not opposing the loans and
9 approving rates that are appropriate to provide sufficient revenue to cover debt service
10 of the new loans, as well as GOWC's other expenses.

11 **Q WHAT IS THE AMOUNT OF POB'S RATE REQUEST IN THIS CASE?**

12 **A** The total net revenue requirement GOWC is requesting to be recovered through base
13 rates is approximately \$4 million. A complete set of schedules presenting POB's rate
14 requests and revenue requirements is provided in Attachment A to the Application, and
15 are supported by the direct testimony of POB witness Grant Rabon, Partner with
16 NewGen Strategies & Solutions ("NewGen"). POB retained NewGen to analyze POB's
17 finances and to conduct a cost of service and rate design study for the purpose of
18 developing a revenue requirement to support the above-requested rate relief. The Test
19 Year for the rate study was based on actual results of fiscal year ("FY") ending
20 December 31, 2022, with adjustments based on a comparison with actual financial
21 results in prior years and known changes to operations. The detailed financial analysis
22 forms the basis of POB's revenue requirement and the extent of the necessary
23 adjustment in retail rates being requested herein to provide the required revenue. The

1 development of POB's requested revenue requirement is addressed in more detail in
2 the direct testimony of Mr. Rabon.

3 **Q PLEASE ELABORATE ON THE NEED FOR POB'S REVENUE REQUIREMENT**
4 **AND PROPOSED RATE RELIEF?**

5 A POB's base revenue requirement represents the amount needed to be recovered
6 through water rates to support existing debt service and increases in operating
7 expenses, including primarily increases in payroll expenses and the addition of a
8 Management Fee for JACS Water, LLC and Stem Investments, LLC - - whose
9 members (me and Mr. McQueen) serve as General Managers for POB. In addition,
10 POB is proposing to enter into two low-interest loans through the LDH for financing of
11 necessary capital improvements. Debt service expense for these loans will increase
12 POB's revenue requirement incrementally during the construction period until final
13 closing of the loans following completion of the projects. Detailed schedules showing
14 the components of the net revenue requirement are provided in the direct testimony of
15 Mr. Rabon.

16 **Q PLEASE EXPLAIN WHY THERE IS AN INCREASE IN POB'S OPERATING**
17 **EXPENSES OVER FISCAL YEAR 2022 ACTUAL EXPENSES?**

18 A POB's fiscal year ("FY") 2022 operating expenses, as reported in its audited financials,
19 do not capture all of POB's current operating expenses. A key difference in POB's
20 current operating expenses and those incurred in FY 2022 pertain to payroll expenses.
21 For example, over the course of FY 2022, POB added employees and provided
22 increases in salaries to existing employees. In addition, POB will be further adjusting

1 employee salaries during the pendency of this rate proceeding. These are known and
2 measurable changes to POB's payroll expenses that require adjustments to POB's FY
3 2022 actual payroll expenses to ensure that POB has sufficient revenue for payroll
4 expenses. Further, POB intends to begin to compensate its General Managers - - who
5 have managed the water system without compensation since the system was acquired
6 in June 2021. As discussed by Mr. Rabon, the proposed Management Fee is in line
7 with fees paid by other utilities, is in line with the salary of POB's Project Manager (Mr.
8 Nelson) and is less than the management fee collected in rates by POB's former owner
9 prior to June 2015, which does not account for cost-of-living increases since the
10 acquisition.

11 **Q. WHY DOES POB NEED A RATE INCREASE TO SUPPORT ITS PROPOSED**
12 **REVENUE REQUIREMENT?**

13 **A** The current rates and rate structure of POB are projected to result in an under-recovery
14 of approximately \$600,000. Thus, a rate increase is essential for POB. Based upon
15 POB's revenue requirement, POB's proposed rates are provided in the rate schedules
16 attached to the direct testimony of POB witness Mr. Grant Rabon.

17 **IV. POB PROPOSED CAPITAL IMPROVEMENT PROJECTS**

18 Attached to my testimony as HSPM Exhibit JM-2 is a detailed summary of the capital
19 improvement projects that POB proposes to be funded through the LDH DWRLF
20 program. POB needs to undertake these capital improvement projects to address the
21 issue of emerging contaminants in POB's water supply. Specifically, POB proposes to
22 install two new wells to provide new sources of clean water without emerging

1 contaminant issues. POB also proposes to rehabilitate the interior of the elevated
2 storage tank caused by buildup from emerging contaminants and to install new storage,
3 booster stations and piping to transport, treat and store water from the new sources
4 until supplied to customers. The new distribution system improvements are also
5 proposed to accommodate additional capacity. In addition, POB also proposed to
6 install an advanced metering infrastructure ("AMI") system. New meters are necessary
7 to eliminate emerging contaminants from POB's water supply, as emerging
8 contaminants in POB's current water supply also resides in the existing metering
9 equipment. Since POB needs to replace its meters, POB is proposing to install an AMI
10 system that will allow POB to read customer meters with more accuracy and efficiency.
11 POB anticipates these capital improvements will take two years to complete.

12 **V. POB REQUEST FOR USE OF LINE-ITEM CHARGE**

13 **Q WHAT LINE-ITEM CHARGE IS GOWC PROPOSING TO INCLUDE IN ITS WATER**
14 **TARIFF FOR RECOVERY OF REVENUE REQUIREMENTS OUTSIDE OF BASE**
15 **RATES?**

16 **A.** POB is seeking approval to implement a new line-item charge to recover debt service
17 expenses associated with loans from LDH through its DWRLF program for necessary
18 capital improvement projects. The Interim Capital Improvements Charge would be
19 implemented once interests payments by POB begin on the \$5.7 million unforgivable
20 portion of the LDH loans. These payments will incrementally grow on a quarterly basis
21 until the projects are completed and the final closings of the loans occurs. At that time,
22 the Interim Capital Improvements Charge would reflect principal and interest payments

1 on the non-forgivable portion of the LDH loans, which POB anticipates will total
2 approximately \$5.7 million.

3 **Q WHY IT IS APPROPRIATE TO RECOVER THE DEBT SERVICE ASSOCIATED**
4 **WITH THE LDH LOANS THROUGH A LINE-ITEM CHARGE ON CUSTOMERS'**
5 **BILLS?**

6 A. Given the timing and incremental amount of debt service expenses associated with the
7 loans and the millions of dollars in savings to customers from POB undertaking these
8 capital projects through low-cost financing available through the LDH DWRLF program,
9 use or a temporary line-item charge for recovery of the debt service is appropriate until
10 the final debt service expense can be moved into POB base rates in a subsequent rate
11 proceeding.

12 **VI. POB PROPOSED CHANGES TO RATE DESIGN**

13 **Q. WHAT CHANGES ARE POB PROPOSING TO ITS RATE DESIGN?**

14 A. POB is proposing to restructure its water rates to eliminate three "Optional Rates" for
15 water service that are available to larger customers. These Optional Rates are currently
16 used by a limited number of customers. Thus, POB requests to eliminate the Optional
17 Rates and instead have a single set of rates for all customers. Elimination of these
18 Optional Rates also results in the use of a 2,000 gallon water allocation in the minimum
19 charge uniformly for all customers, as has been the case for the majority of POB
20 customers that do not take service under one of the Optional Rates. This proposed
21 elimination of the Optional Rates is expected to result in a minimal financial impact
22 (estimated to be less than \$7,900 per year based on current rates) but will simplify the

1 management and administration of the rates. Further, eliminating the amount of water
2 greater than 2,000 gallons per month allocated in the minimum charge ensures a
3 consistent pricing signal to customers to minimize water waste and, where practical,
4 conserve water.

5 **VI. POB'S REQUEST FOR CHANGES TO TARIFFS**

6 **Q. PLEASE EXPLAIN THE CHANGES THAT POB IS PROPOSING TO ITS TARIFFS**
7 **FOR WATER SERVICE AND SEWER SERVICE.**

8 A. POB is proposing to simplify the presentation of its tariff, as well as to implement its
9 proposed change to its base and volumetric rates and rate design (discussed above)
10 and to incorporate the new Interim Capital Improvements Charge.

11 **VII. POB's REQUEST TO ENTER INTO LDH LOANS**

12 **Q PLEASE EXPLAIN GOWC'S REQUEST FOR NON-OPPOSITION CLOSING ON**
13 **LDH LOANS.**

14 A As previously discussed, POB is requesting the Commission's non-opposition to its
15 entering into approximately \$12.8 million in low-interest loans through the LDH DWRLF
16 program to fund necessary capital improvement projects included in POB's CIP. POB
17 expects that up to \$7.1 million of the loans will be forgiven at final closing, leaving
18 approximately \$5.7 million to be financed at 2.45% interest for up to 30 years. POB
19 anticipates that interest-only payments during construction of the projects will
20 incrementally increase on a quarterly basis up to \$1.87 per month per customer through
21 the proposed line-item charge. Then following final closing, interest and principal

1 payments will be \$4.74 per customer per month through the line-item charge, until the
2 debt service expense is moved into POB base rates in a subsequent rate proceeding.

3 **Q WHY ARE THE NEW LOANS NEEDED?**

4 A As previously discussed in my testimony the loans are needed to fund approximately
5 \$12.8 million in capital improvement projects necessary to address emerging
6 contaminant issues in POB's water supply. While the cost of the capital improvements
7 are estimated to be approximately \$12.8 million, POB fully expects about \$7.1 million
8 of the loans to be forgiven through the LDH DWRLF program. Thus, POB's revenue
9 requirement would include only \$5.7 million of the \$12.8 million in projects at a very low
10 interest rate of 2.45 percent -- providing millions of dollars in savings to POB ratepayers
11 even if the loans are not forgiven, which is unlikely. Thus, the loans will provide a cost-
12 effective funding source for necessary system improvements.

13 **VIII. INTRODUCTION OF OTHER POB WITNESS**

14 **Q WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

15 A POB's Application is accompanied by the direct testimony of two witnesses, including
16 myself. The other witness testifying on behalf of POB is Mr. Grant Rabon. A summary
17 of his testimony is below.

18 **Grant S. Rabon:** Mr. Rabon is a Partner with NewGen Strategies & Solutions,
19 which GOWC retained to analyze its finances and to conduct a cost of service
20 and rate design study for the purpose of developing a revenue requirement to
21 support the above-requested rate relief. Mr. Rabon's testimony supports and
22 explains the development of GOWC's revenue requirement and the design of
23 rates to recover the identified revenue requirement. Further, Mr. Rabon
24 sponsors all schedules in Attachment A to the Application.

1 **IX. SUMMARY OF RECOMMENDATIONS**

2 **Q CAN YOU PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE**
3 **COMMISSION?**

4 A For the reasons discussed in my testimony, I recommend that the Commission find
5 POB's proposed water rates are supported by POB's revenue requirement and that
6 POB's revenue requirement and proposed rates are just and reasonable. Thus, I
7 recommend that the Commission approve the requested rate increases and approve
8 POB's proposed revised Water Tariff, which is included as Attachments D.1 and D.2
9 to the Application, in clean and redline form.

10 I also recommend that POB be permitted to recover its debt service costs
11 associated with loans through the LDH DWRLF through a new, temporary Interim
12 Capital Improvements Charge; that GOWC be permitted to change its rate structure to
13 a single set of base and volumetric rates, which will uniformly allot 2,000 gallons of
14 water to customers in the minimum charge, regardless of the customer's meter size;
15 that POB's proposed changes to its water and sewer tariffs be approved; and that the
16 Commission find that the proposed LDH loans described herein are in the public
17 interest and, accordingly, indicate its non-opposition to the POB entering into the loans.

18 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

19 A Yes, it does.

Jeffrey S McNew

217 N Liberty Street
Bastrop, LA 71220
318-281-2160

Education

University of Louisiana Monroe, Graduated December 1996 with a degree in Finance

Certifications

Water Distribution 4

Water Production 4

Water Treatment 3

Wastewater Collection 3

Wastewater Treatment 3

Work Experience

L&R Utilities, President, June 1998 thru present

Tac Agency, President, June 1998 thru present

Northeast Louisiana Utilities, President, March 2017 thru present

Peoples of Bastrop, Managing Member, March 2020 thru present

Lakeshore Sewer District, Secretary Treasurer, June 1998 thru Present

North Monroe Sewer District, Secretary Treasurer, June 1998 thru Present

Hideaway Road Sewer District, Secretary Treasurer, June 1998 thru Present

HSPM EXHIBIT JM-1

POB CAPITAL IMPROVEMENT PLAN

REDACTED

EXHIBIT 2

DIRECT TESTIMONY OF GRANT S. RABON

BEFORE THE

PEOPLES OF BASTROP, LLC, EX)
PARTE.)

DOCKET NO. U-_____

**APPLICATION OF PEOPLES OF
BASTROP, LLC FOR (A) APPROVAL
OF (I) AN INCREASE IN WATER
RATES, (II) CHANGE IN RATE
DESIGN, (III) CHANGES TO WATER
TARIFF AND (IV) INTERIM CAPITAL
IMPROVEMENTS CHARGE, AND (B)
NON-OPPOSITION TO LOANS.**

Direct Testimony and Exhibits of

Grant S. Rabon

On behalf of

Peoples of Bastrop, LLC

APPLICATION EXHIBIT 2

June 15, 2023

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

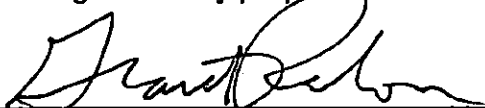
PEOPLES OF BASTROP, LLC, EX PARTE.) DOCKET NO. U-_____
)
APPLICATION OF PEOPLES OF)
BASTROP, LLC FOR (A) APPROVAL OF)
(I) AN INCREASE IN WATER RATES, (II))
CHANGE IN RATE DESIGN, (III) CHANGES)
TO WATER TARIFF AND (IV) INTERIM)
CAPITAL IMPROVEMENTS CHARGE, AND)
(B) NON-OPPOSITION TO LOANS.)
)

STATE OF TEXAS)
) SS
COUNTY OF TRAVIS)

Affidavit of Grant S. Rabon

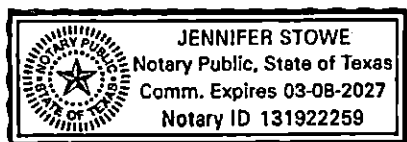
Grant S. Rabon, being first duly sworn, on his oath states:


1. My name is Grant S. Rabon. I am a Partner with NewGen Strategies and Solutions, having an office at 8140 North Mopac Expressway, Suite 1-240, Austin, TX 78759. We have been retained by Peoples of Bastrop, LLC in this proceeding on its behalf.
2. Attached hereto and made a part hereof for all purposes are my direct testimony and exhibit which were prepared in written form for introduction into evidence in this proceeding before the Louisiana Public Service Commission.
3. I hereby swear and affirm that the testimony and exhibits are true and correct and that they show the matters and things that they purport to show.



Grant S. Rabon

Subscribed and sworn to before me this 14th day of June, 2023.





Notary Public

**BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION**

PEOPLES OF BASTROP, LLC,) DOCKET NO. U-_____
EX PARTE.)
)
APPLICATION OF PEOPLES OF)
BASTROP, LLC FOR (A))
APPROVAL OF (I) AN)
INCREASE IN WATER RATES,)
(II) CHANGE IN RATE DESIGN,)
(III) CHANGES TO WATER)
TARIFF AND (IV) INTERIM)
CAPITAL IMPROVEMENTS)
CHARGE, AND (B) NON-)
OPPOSITION TO LOANS.

**Table of Contents for the
Direct Testimony of Grant S. Rabon**

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VI. CONCLUSIONS AND RECOMMENDATIONS	12

Exhibits

GSR-1	Resume of Grant Rabon
GSR-2	AWWA Compensation Survey Excerpt

PEOPLES OF BASTROP, LLC,) DOCKET NO. U-_____
EX PARTE.)
)
APPLICATION OF PEOPLES OF)
BASTROP, LLC FOR (A))
APPROVAL OF (I) AN)
INCREASE IN WATER RATES,)
(II) CHANGE IN RATE DESIGN,)
(III) CHANGES TO WATER)
TARIFF AND (IV) INTERIM)
CAPITAL IMPROVEMENTS)
CHARGE, AND (B) NON-)
OPPOSITION TO LOANS.)

1 I. INTRODUCTION

3 A. My name is Grant S. Rabon. I am a Partner at NewGen Strategies & Solutions, LLC
4 ("NewGen"), a management and economic consulting firm specializing in serving the
5 utility industry. I work out of the Austin office of NewGen located at 8140 North
6 Mopac Expressway, Suite 1-240, Austin, Texas 78759.

1

1 **Q. WOULD YOU BRIEFLY DESCRIBE YOUR PROFESSIONAL EXPERIENCE?**

2 A. Since 2005, I have been assisting utilities with the conduct of cost of service and rate
3 design studies, financial feasibility studies, valuations, and other management
4 consulting engagements for electric, natural gas, water, wastewater, and solid waste
5 utilities. A summary of my qualifications is provided as Exhibit GSR-1 accompanying
6 this testimony.

7 **Q. ON WHOSE BEHALF ARE YOU PRESENTING THIS TESTIMONY?**

8 A. I am testifying on behalf of Peoples of Bastrop, LLC ("**POB**").

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. The purpose of my testimony is to discuss the analysis I conducted in support of
11 POB's application to the Louisiana Public Service Commission ("**LPSC**") for an
12 increase in water rates, among other requested relief. This included the
13 development of a revenue requirement for the water utility as well as the design of
14 rates to recover the identified revenue requirement.

15 **Q. DO YOU SPONSOR ANY WORKPAPERS OR SCHEDULES IN THE**
16 **APPLICATION?**

17 A. Yes. I am sponsoring all schedules in Attachment A to the Application.

1 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE LPSC?**

2 A. Yes, I filed direct testimony on behalf of Greater Ouachita Water Company
3 ("GOWC") in Docket Nos. U-36716 and U-34865. I also filed direct testimony on
4 behalf of National Water Infrastructure in their wastewater rate application in Docket
5 No. U-36383.

6 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE ANY OTHER**
7 **COMMISSION?**

8 A. Yes, I have filed testimony on several occasions at the Public Utility Commission of
9 Texas and I have filed testimony at the California Public Utilities Commission as well
10 as the Federal Energy Regulatory Commission. These cases are listed in my
11 resume, attached as Exhibit GSR-1.

12 **Q. HAS THE TESTIMONY YOU ARE PROVIDING BEEN PREPARED BY YOU OR**
13 **UNDER YOUR DIRECTION?**

14 A. Yes. This testimony was prepared by me or under my direct supervision.

1 **II. BASIS FOR THE REVENUE REQUIREMENT**

2 **Q. WHAT IS A REVENUE REQUIREMENT?**

3 A. A revenue requirement is an annual amount reflecting costs that need to be
4 recovered from utility customers in order to appropriately fund the utility operations.
5 The total revenue requirement is sometimes offset by miscellaneous non-rate
6 revenues, such as late fees and reconnect fees, resulting in a net revenue
7 requirement representing the amount needed to be recovered from rates. POB does
8 have some miscellaneous non-rate revenues, so the revenue requirement I will be
9 referring to in my testimony is a net revenue requirement (or the amount needed to
10 be recovered from rates). Further, there are some debt service expenses for
11 necessary capital improvement projects that are proposed to be temporarily
12 recovered in line-item charges outside of base rates, as described in the direct
13 testimony of Mr. Jeffrey McNew.

14 **Q. HOW WAS POB'S REVENUE REQUIREMENT DEVELOPED?**

15 A. POB's revenue requirement was developed using a cash-needs approach with a
16 check to ensure a reasonable debt service coverage ratio is achieved.

17 **Q. WHAT ARE THE COMPONENTS OF POB'S REVENUE REQUIREMENT**
18 **DEVELOPED USING A CASH-NEEDS APPROACH?**

19 A. POB used the cash-needs (or cash flow) approach to identify all of the relevant costs
20 for recovery on a cash basis, inclusive of cash capital outlay (aka, internally
21 generated cash for capital) to renew and replace the assets to keep the water
22 system in good working condition. The components of the net revenue requirement
23 developed for POB are:

- 1 1. Cash operations and maintenance ("O&M") costs (excluding
- 2 depreciation/amortization as well as debt interest expense)
- 3 2. Debt service (i.e., principal and interest payments) without coverage (i.e.,
- 4 1.00x debt service)
- 5 3. Cash available for capital outlay (based on depreciation expense, a non-cash
- 6 item)
- 7 4. Management fee intended to compensate the owners for services provided
- 8 for the benefit of the utility and its customers
- 9 5. Federal and state income taxes
- 10 6. Less: Miscellaneous non-rate revenues.

11 **Q. HOW IS THIS DIFFERENT FROM A REVENUE REQUIREMENT DEVELOPED**
12 **USING THE UTILITY BASIS (WHICH IS MORE COMMON FOR AN INVESTOR-**
13 **OWNED UTILITY)?**

14 **A.** The revenue requirement developed on a utility basis, which is commonly used for
15 an investor-owned utility ("IOU"), generally includes the following key components:

- 16 1. Total O&M costs (including depreciation/amortization, but excluding debt
- 17 interest)
- 18 2. Income and other taxes
- 19 3. Return on rate base
- 20 4. Less: Miscellaneous non-rate revenues.

21 Some of these components are similar to those applicable under the cash-
22 needs approach utilized by POB, but there are key differences. For example, O&M
23 costs under the utility basis include depreciation/amortization. However, the most
24 obvious difference is the reliance on rate base and a return on rate base under the

1 utility basis. Rate base is representative of invested capital eligible for earning a
2 return, and the return on rate base is the dollar amount resulting from rate base
3 times the allowed rate of return. The allowed rate of return is generally developed
4 based on a weighted average cost of capital analysis, which includes equity and debt
5 components.

6 **Q. WHY WAS THE UTILITY BASIS NOT USED TO DEVELOP POB'S REVENUE**
7 **REQUIREMENT?**

8 A. POB's owners are not seeking a traditional return typically expected by IOUs. They
9 simply want to be fairly compensated for their work on behalf of the utility, which
10 benefits ratepayers. POB is proposing this to be accomplished via a management
11 fee.

12 While POB is a for-profit IOU, it is mainly debt funded. Further, POB intends
13 to finance a significant portion of necessary capital improvements through use of
14 government loans. POB is seeking this cost-effective method of financing necessary
15 capital projects in lieu of employing equity capital that would increase rate base.
16 This is a more advantageous method of funding these projects and ratepayers will
17 benefit from this approach. However, this approach does mean that the traditional
18 return on rate base approach to revenue requirement development is not a good fit
19 with POB or the value the owners are providing ratepayers.

20 POB is primarily concerned with recovering the costs of operating and
21 maintaining the utility; reinvesting capital into the utility to renew and replace facilities
22 as they wear out; paying debt service and interest on customer deposits; paying any
23 applicable taxes; and ensuring sufficient financial reserves. These primary

objectives of POB align with the components of the cash-needs basis approach employed by POB.

Further, POB's current long-term borrowing is primarily through revenue bonds, which are primarily secured by total revenue. Debt lenders of capital are keenly interested in the utility having sufficient revenue to pay debt service and adequately fund cash capital outlays to maintain, renew, and replace facilities. They also evaluate the utility's financial reserves when deciding whether to lend and, if so, how much to lend and at what cost. These interests are aligned with the components of the POB's revenue requirement and, therefore, align the rate request with the interests of lenders of capital so that POB is able to continue to borrow on reasonable terms.

III. DEVELOPMENT OF THE REVENUE REQUIREMENT

Q. HOW WAS THE REVENUE REQUIREMENT DEVELOPED?

A. The base revenue requirement was developed based on POB's audited financial results from fiscal year ("FY") 2022, which ended December 31, 2022, adjusted to reflect known and measurable changes in the utility's expected costs and revenues that have occurred since the end of FY 2022 and that are expected to continue.

Q. WHAT ARE SOME EXAMPLES OF THESE ADJUSTMENTS?

A. The adjustments include updating POB's payroll expense and adding a management fee for JACS Water, LLC and Stern Investments, LLC, which are companies of two of POB's owners that are involved in the day-to-day operations of the utility but for which compensation is not currently provided.

1 All of the adjustments are quantified and explained in the Application,
2 Attachment A, Schedule 1. The adjusted Test Year represents the revenues and
3 expenses required to provide reliable service to retail customers as well as satisfy all
4 contractual commitments and regulatory requirements under operating conditions
5 that would be typically expected.

6 **Q. WHAT IS THE BASIS FOR THE PROPOSED MANAGEMENT FEE?**

7 A. The requested management fee of \$300,000 per year would allow \$150,000 per year
8 each to JACS Water, LLC and Stem Investments, LLC. The other (third) owner of
9 POB is a company jointly owned by the members of JACS Water and STEM
10 Investments, so will not receive proceeds from the management fee.

11 The 2020 American Water Works Association Compensation Survey for
12 medium sized water systems indicates the mid-range salary for the Top Executive
13 was a little less than \$147,000 per year for all water participants (as shown in the
14 excerpt from the report attached as Exhibit GSR-2). While not explicitly the source
15 for the management fee, given the responsibilities and activities of the two non-
16 salaried owners, this level of compensation is justified. Further, in Docket No. U-
17 34690, Water Treatment & Controls Company, the prior owner of POB, included
18 \$421,100 for Management Fees in its 2017 rate application. This validates the
19 reasonableness of POB's proposed management fee.

20 **IV. BILLING DETERMINANTS**

21 **Q. HOW WERE THE BILLING DETERMINANTS DEVELOPED?**

1 A. The billing determinants were developed based on an analysis of billing data from
2 January 2022 through December 2022 (consistent with FY 2022). This is
3 summarized in Schedule 6 of Attachment A.

4 **Q. WERE ANY CHANGES MADE TO THE SUMMARY OF 2022 BILLING**
5 **DETERMINANTS?**

6 A. Yes. The proposed billing determinants are shown on Schedule 7 of Attachment A
7 and eliminate three optional rates currently available to larger customers. By
8 eliminating these optional rates, all customers pay a single set of base and
9 volumetric rates and receive a uniform allotment of 2,000 gallons of water per month
10 free of additional charge (beyond the monthly fixed charge). Since these
11 optional rates have a limited number of customers, the impact on revenue is
12 minimal. However, elimination of these optional rates simplifies the
13 management and administration of the rates. Further, eliminating the amount of
14 water greater than 2,000 gallons per month allocated in the minimum charge ensures
15 a consistent pricing signal to customers to minimize water waste and, where
16 practical, conserve water.

17 **V. PROPOSED RATES**

18 **Q. ARE THE CURRENT BASE RATES PROJECTED TO RECOVER THE REVENUE**
19 **REQUIREMENT?**

20 A. No, the current base rates are not projected to recover the net revenue requirement.
21 Under current rates and current water allotments, POB is expected to generate over
22 \$600,000 less in revenue than the net revenue requirement.

1 **Q. ARE THE PROPOSED BASE RATES PROJECTED TO RECOVER THE**
2 **REVENUE REQUIREMENT?**

3 A. Yes, the proposed water rates shown in the Application, Attachment A, Schedule 8
4 are projected to recover the base revenue requirement as shown in the Application,
5 Attachment A, Schedule 1. However, the proposed base rates are not intended to
6 recover debt service associated with necessary capital improvement projects that
7 POB anticipates will be completed in spring 2026, and which POB has applied to the
8 Louisiana Department of Health for low-interest loans through the Drinking Water
9 Revolving Loan Fund Program.

10 **Q. PLEASE DESCRIBE THE PROPOSED BASE RATES.**

11 A. The proposed rates for water service reflect an increase in the monthly minimum bill
12 (or fixed charge) as well as an increase in POB's volumetric rate. Since most of
13 POB's customers are Domestic customers with a ¾-inch meter, there is no
14 distinction in the fixed and volumetric rates based on meter size. Further, I have
15 developed rates using 2,000 of water being allotted to the minimum charge uniformly
16 to all customers, which was already the amount of water allotted to the minimum
17 charge applicable to POB's customers except for the few that take service under an
18 optional rate.
19

1 **Q. WILL THE PROPOSED BASE RATES ALLOW POB TO RECOVER THE COSTS**
2 **ASSOCIATED WITH THE LOANS THROUGH THE DRINKING WATER**
3 **REVOLVING LOAN FUND PROGRAM?**

4 **A.** No. Given the timing and variability of certain debt service expenses related to this
5 funding, POB has proposed to recover costs associated with this loan through a
6 temporary line-item charge (the "**Interim Capital Improvements Charge**") that
7 would be implemented at the time POB begins paying interest on this loan. This line-
8 item charge would remain in place until a subsequent rate proceeding when the
9 remaining debt service expense can be moved into POB's base rates.

10 As the name implies, the Interim Capital Improvements Charge would
11 recovery debt service expenses from customers associated with loans to be awarded
12 by the Louisiana Department of Health ("**LDH**") through its Drinking Water Revolving
13 Loan Fund Program. POB anticipates that a large portion of the loans
14 (approximately \$7.1 million) will be forgiven by LDH. The remaining, unforgiven
15 portion of the loans (approximately \$5.7 million) would be amortized over a period of
16 up to 30 years at an interest rate of 2.45%. Given that POB believes loan
17 forgiveness of \$7.1 million is highly likely, I anticipate that this line-item charge will be
18 \$4.74 per customer per month based on a 20-year repayment term.

19 **Q. WILL RECOVERY OF POB'S REVENUE REQUIREMENT THROUGH A**
20 **COMBINATION OF BASE RATES AND A LINE-ITEM CHARGE RESULT IN**
21 **REASONABLE AND JUST RATES?**

22 **A.** Yes, POB's base revenue requirement is composed of appropriate adjustments to
23 the FY 2022 actual results. The adjustments reflect known and measurable changes

1 in the utility's costs and revenues that have occurred since the end of FY 2022 and
2 that are expected to continue. Further, use of a temporary line-item charge to
3 recover debt service expenses associated with loans through the LDH until such
4 expenses can be moved into POB's base rates is reasonable in light of the timing of
5 those projects. Use of the low-interest LDH loans and expected loan forgiveness for
6 POB's capital improvement projects will provide significant benefits to POB
7 customers and allow POB to make necessary improvements to its water system.
8 Thus, recovering these costs through a monthly line-item charge is appropriate to
9 allow for adjustments that better align with POB's debt service expenses.

10 **VI. CONCLUSIONS AND RECOMMENDATIONS**

11 **Q. WHAT ARE YOUR CONCLUSIONS?**

12 **A.** My conclusions are as follows:

- 13 • POB's revenue requirement is properly developed on a cash-needs basis to
14 fund all expenses, including a proposed management fee and cash capital
15 outlay, and achieve reasonable and just debt service coverage. At this time,
16 the cash-needs basis best reflects POB's debt service needs and aligns with
17 the interests of its lenders of capital.
- 18 • POB's base revenue requirement is composed of appropriate adjustments to
19 the FY 2022 actual results. The adjustments reflect known and measurable
20 changes in the utility's expected costs and revenues that have occurred since
21 the end of FY 2022 and that are expected to continue.
- 22 • The adjusted Test Year represents the revenues and expenses required to
23 provide reliable service to retail customers as well as satisfy all contractual

1 commitments and regulatory requirements under operating conditions that
2 would be typically expected.

3 • The billing determinants were prudently developed to reflect FY 2022
4 conditions that are expected to continue.

5 • The proposed change in rate design is reasonable as it eliminates optional
6 rates that are used by a limited number of customers and the proposed
7 change better signals wise water use.

8 • Current rates are not sufficient to ensure the financial stability of the utility and
9 do not reflect the cost of providing reliable service in compliance with
10 regulatory mandates.

11 • The proposed base rates are just and reasonable, equitably recover the cost
12 of providing service to customers, and allow the utility to address its capital
13 needs, as described in the direct testimony of POB witness Mr. Jeffrey
14 McNew.

15 • The proposed Interim Capital Improvements Charge will best allow POB to
16 accurately collect from customers the debt service associated with loans
17 through the LDH to allow POB to take advantage of low-interest loans and
18 loan forgiveness through government funding, and, in turn, result in
19 reasonable and just rates.

20 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

21 A. I recommend the LPSC approve the revenue requirement and rates set forth in the
22 rate schedules included in Attachment A to the Application and approve POB's
23 proposed revised Water Tariff. I also recommend the LPSC allow POB to
24 temporarily recover the debt service expense associated with loans POB has applied

1 for through the LDH Drinking Water Revolving Loan Fund Program via a proposed
2 Interim Capital Improvements Charge. I further recommend the LPSC approve
3 POB's proposed change in rate design, which eliminates three optional rates and
4 results in a single base rate and single volumetric rate for all POB customers with all
5 customers allotted 2,000 gallons of water in the minimum charge.

6 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7 **A. Yes.**

Since 2005, Mr. Rabon has managed electric, water, wastewater, natural gas, and solid waste utility projects designed to safeguard clients' financial integrity primarily through the performance of financial feasibility studies, depreciation studies, valuations/appraisals, or comprehensive cost of service analyses. His educational background facilitates a unique understanding of the financial implications of technical projects. Further, he is one of less than 20 individuals in the nation with an Accredited Senior Appraiser designation in Public Utilities from the American Society of Appraisers.

EDUCATION

- Master of Business Administration, University of Texas at Austin
- Bachelor of Science in Chemical Engineering, Texas A&M University

PROFESSIONAL REGISTRATIONS/CERTIFICATIONS

- Accredited Senior Appraiser (ASA) designation in Public Utilities from American Society of Appraisers

KEY EXPERTISE

- | | |
|-------------------------------------|--------------------------------------|
| ▪ Utility Appraisals and Valuations | ▪ Depreciation Studies |
| ▪ Cost of Service and Rate Design | ▪ Financial Feasibility and Planning |
| ▪ Customer Advocacy and Engagement | ▪ Regulatory and Litigation Support |

RELEVANT EXPERIENCE

Cost of Service and Rate Design

Mr. Rabon has conducted numerous comprehensive cost of service and rate design studies. Rates designed as a result of these engagements equitably recover the cost of service and align with the utilities' goals, including special consideration for affordability and best practice rate structures. Stakeholder outreach and benchmarking analyses were typical tasks within these projects.

Key Projects

Austin Energy -- Cost of Service and Testimony

Mr. Rabon conducted a comprehensive, unbundled cost of service analysis for the electric utility and designed equitable rates to achieve the City of Austin's goals. Efforts included improving fixed cost recovery while incentivizing conservation through a five-tier rate structure and providing support for distributed generation, such as rooftop solar. Mr. Rabon filed direct testimony in 2012 on behalf of the City of Austin d/b/a Austin Energy at the Public Utility Commission of Texas in defense of the electric rates adopted by Austin City Council (PUC Docket No. 40627). In 2015, he conducted various analyses on issues of critical importance to Austin Energy, such as a financial reserves study and a review of small commercial rates. He also assisted Austin Energy staff in updating the cost of service and rate design, including extensive public involvement and stakeholder engagement intended to mimic a rate case at the Public Utility Commission of Texas. Mr. Rabon conducted another update to the comprehensive, unbundled cost of service analysis in 2022 that, among other changes, proposed redesigned residential rates and an update to the value of solar tariff. The 2022 update utilized a similar public involvement and stakeholder engagement process to mimic a rate case at the Public Utility Commission of Texas.

Grant Rabon

PARTNER

Lower Colorado River Authority – Wholesale Water Benchmarking and Rate Analysis

Mr. Rabon performed a benchmarking analysis to identify best practices among wholesale water entities around the nation, emphasizing innovative rate structures and water conservation efforts. He also conducted a long-term rate analysis to incorporate projected capital projects to expand the water supply over a 90-year horizon under various rate structures.

College Station – Electric Transmission Filing

Mr. Rabon conducted a comprehensive cost of service analysis for the transmission function and regulated rate filing with the Public Utility Commission of Texas, including developing all schedules, work papers, and testimony (PUC Docket No. 52728).

Greenville Electric Utility System (GEUS) – Electric Transmission Filing

Mr. Rabon performed a quality assurance review of a comprehensive cost of service analysis for the transmission function and regulated rate filing with the Public Utility Commission of Texas.

Texas Municipal Power Agency (TMPA) – Electric Transmission Filing

Mr. Rabon developed an interim regulated rate filing for the transmission function with the Public Utility Commission of Texas and filed direct testimony on behalf of TMPA (PUC Docket No. 51439).

Georgetown Electric Utility – Rate Projects

Mr. Rabon conducted a series of rate projects for the City of Georgetown, Texas, to improve cost recovery and equity. These efforts included a redesign of the distributed generation rate tariff, evaluating a large contract customer load, and designing a new rate tariff for commercial “fast charging” plug-in electric vehicle charging stations.

Other Cost of Service and Rate Design Studies

Mr. Rabon conducted one or more comprehensive cost of service and rate design studies for the following entities:

- | | | |
|---|--|--|
| ▪ Brushy Creek Municipal Utility District, TX | ▪ City of Sealy, TX | ▪ Liberty City Water Supply Corporation, TX |
| ▪ City of Athens, TX | ▪ City of Sioux Falls, SD | ▪ Manville Water Supply Corporation, TX |
| ▪ City of Borger, TX | ▪ City of Stillwater, OK | ▪ North Slope Borough, AK |
| ▪ City of Bryan, TX | ▪ City of Sugar Land, TX | ▪ Pima County, AZ |
| ▪ City of Del Rio, TX | ▪ City of Tempe, AZ | ▪ Rockett Special Utility District, TX |
| ▪ City of Greenville, TX | ▪ City of Temple, TX | ▪ St. Tammany Parish, LA |
| ▪ City of Hobbs, NM | ▪ City of Tucson, AZ | ▪ Snohomish County, WA |
| ▪ City of Las Cruces, NM | ▪ City of Vernon, CA | ▪ Town of Estes Park, CO |
| ▪ City of Longview, TX | ▪ City of Weatherford, TX | ▪ Walker County Special Utility District, TX |
| ▪ City of New Braunfels, TX | ▪ Gonzales County Water Supply Corporation, TX | ▪ Wellborn Special Utility District, TX |
| ▪ City of Nogales, AZ | ▪ Greater Ouachita Water Company, LA | ▪ York County, SC |
| ▪ City of Olathe, KS | ▪ Levi Water Supply Corporation, TX | |
| ▪ City of Peoria, AZ | | |
| ▪ City of Pflugerville, TX | | |

Financial Feasibility

Mr. Rabon has evaluated the financial feasibility of various projects through business case analyses and the development of financial models. One project included evaluating a proposed 20 million-gallon-per-day brackish groundwater desalination facility for San Antonio Water System based on the relative capital and operational costs and total lifecycle costs under various project delivery options, including traditional DBB, DB, DBO, and a customized DBOOT. Another project included financial feasibility modeling to evaluate a proposed water source development for a municipal client.

Utility Appraisals and Valuations

Mr. Rabon has conducted valuations and fair market value appraisals to determine an indication of value for acquisitions/dispositions or to evaluate municipalization or privatization of utilities. His experience also includes service area valuations to assess compensation for decertification of areas covered by certificates of convenience and necessity.

Appraisals or Valuations

Mr. Rabon has conducted one or more appraisal or valuation studies of the following entities:

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- Aqua Indiana, Inc. (a portion of the system)
- Aqua Texas, Inc. (a portion of the system)
- Bi-County Water Supply Corporation
- Brownsville Navigation District
- Carroll Water Company
- City of Janesville, WI landfill
- City of El Paso's Clint and McCombs Municipal Landfills
- City of Superior, WI Moccasin Mike Landfill
- Clear Water Estates Water System
- Commons Water Supply, Inc.
- Douglas Utility Company
- El Jardin Water Supply Corporation
- EnLink (a portion of a gas pipeline in Alexandria, LA)
- Esperanza Water Service Company
- Greater Ouachita Water Company
- Guadalupe-Blanco River Authority
- Hermleigh Water Works
- Jarrell-Schwertner Water Supply Corporation
- Johnson County Special Utility District
- Kenwood Water System
- Lake Limestone Coves Water System
- Leon Springs Utility Company
- Liberty City Water Supply Corporation
- Louisiana Land and Water Company
- North Orange Water and Sewer
- Mountain Peak Special Utility District
- Pacific Gas and Electric's electric transmission and distribution system in San Francisco, CA
- Patterson Water Supply
- Pennichuck Corporation's water utility in the City of Nashua
- Rice Water Supply & Sewer Supply Corporation
- Rockett Special Utility District
- San Diego Gas & Electric's electric and gas distribution systems in the City of San Diego, CA
- Sharyland Water Supply Corporation
- Xcel Energy's electric distribution system in the City of Boulder, CO
- Utilities Investment Company, Inc. and UIC 13, LLC

Depreciation

Mr. Rabon has conducted comprehensive depreciation studies to establish appropriate depreciation rates for utilities, including benchmarking depreciation rates among peer utilities. Engagements include projects for the following entities:

- City of Fort Worth Water Department
- County of Kauai Department of Water
- CPS Energy
- Tri-State Generation and Transmission, Inc.

Regulatory and Litigation Support

In addition to the regulatory work associated with some of the projects previously mentioned, Mr. Rabon has also provided litigation support to his clients. This support includes a project calculating damages owed to three electric cooperatives and one municipally owned utility as part of a wholesale rate dispute with the Lower Colorado River Authority in Travis and Kerr County, Texas District Courts. Efforts incorporated recreating billing determinants and the development of a market access rate. (Cause No. D-1-GN-12-002156 and Cause No. 12-1001-B). In another project, Mr. Rabon calculated damages owed to a municipality in a contract dispute with its ERCOT Qualified Scheduling Entity. Finally, Mr. Rabon was a designated expert witness in a Louisiana utility condemnation case.

Customer Advocacy and Engagement

Mr. Rabon served as the residential rate advocate for Austin Water's water, reclaimed water, and wastewater cost of service and rate design study. He represented the interests of the residential customer class in the process, much like the Texas Office of Public Utility Counsel often does for regulated rate cases. To explain the process and solicit feedback on essential policy issues from residents, Mr. Rabon participated in a stakeholder engagement process and presented at a series of meetings with residential customer groups around the City. He also reviewed and critiqued Austin Water's prior comprehensive rate review, completed in 2009, and the validity of the methodologies employed therein. Finally, given that the Public Utility Commission of Texas could review any rates proposed by Austin Water, Mr. Rabon provided invaluable input on acceptable practices based on extensive prior work in this venue. In a separate engagement, provided written comments on proposed changes to Austin Water's financial policies.

TESTIMONY**Public Utility Commission of Texas**

- Electric Rate Filing on behalf of Austin Energy – PUC Docket No. 40627
- Electric Transmission Rate Filing on behalf of the City of College Station – PUC Docket No. 52728
- Interim Electric Transmission Rate Filing on behalf of Texas Municipal Power Agency – PUC Docket No. 51439
- Revenue Requirement and Cost Recovery Issues on behalf of Windermere Oaks Water Supply Corporation – PUC Docket No. 50788

Louisiana Public Service Commission

- Wastewater Cost of Service Rate Filing on behalf of National Water Infrastructure – LPSC Docket No. U-36383
- Water and Wastewater Rate Filing on behalf of Greater Ouachita Water Company – LPSC Docket No. U-34865
- Water and Wastewater Rate Filing on behalf of Greater Ouachita Water Company – LPSC Docket No. U-36716

California Public Utilities Commission

- Fair Market Value Appraisal of a portion of the Pacific Gas and Electric system on behalf of the City and County of San Francisco – Docket No. P.21-07-012

Federal Energy Regulatory Commission

- Depreciation Rates on behalf of Tri-State Generation and Transmission Association, Inc. – just filed and awaiting Docket No.

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PRESENTATIONS

Mr. Rabon has given various industry presentations focused on utility finances and rates.

Texas Rural Water Association Conferences

- *Financial Management & Fiduciary Responsibilities* (2022 and 2023)
- *CCN Decertification Compensation – What's Fair?* (2021)
- *Financial Management and Fiduciary Responsibilities* (2019)
- *How to Structure Rates to Ensure a Successful Future for Your System* (2019)
- *Rates that Support Current and Future Needs* (2018)
- *Financial Planning and Tools* (2016)
- *Water Rates 101* (2015)
- *CCN Valuations: Financial Considerations Related to Decertification and Expedited Release* (2014)
- *Keeping Your System Financially Fit; Learn How to Set Good Water Rates* (2012)

American Water Works Association and Water Environmental Federation's Utility Management Conference

- *Austin Water Affordability Assessment* (2020)
- *Regionalization Efforts: A Louisiana Case Study* (2013)

National Rural Water Association Conferences

- *Small Water System Financing 101* (2019)
- *Rate Planning for a Sustainable System* (2018)

Texas Public Power Association Conferences

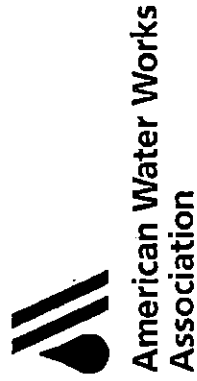
- *Effectively Managing Significant Rate Changes* (2019)
- *Is Change Coming?: Transmission Rate Filings at the Public Utility Commission* (2018)
- *Adapting to Distributed Generation* (2017)

2020 AWWA Compensation Survey

Medium-
Sized

Water and Wastewater
Utilities serving populations
between 10,000 and 99,999

\$143,832.83
\$48,693.77
\$96,855.18
\$123,654.76
\$20,824.47
\$93,010.51
\$124,255.25
\$74,005.93
\$13,410.14
\$10,430.78
\$10,388.44
\$10,630.82
\$17.71
\$4.64



American Water Works Association - Medium - 2020

Water Participants

Job L100 - Top Executive

Summary of All Reported Data by Ownership/Management Type

Scope	# of Utilities	# of Employees	Avg. # of Ees Sup	Exempt E / N / U	50th Percentile	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range			Avg Weekly Overtime
								Min	Mid	Max	
All	82	77	40	91% 4% 5%	\$141,086	\$149,433	\$149,433	\$123,794	\$146,554	\$169,491	11
Board Operated	51	48	35	• • •	\$135,883	\$147,058	\$147,058	\$121,775	\$142,989	\$164,854	14
MU/TCU	22	20	61	• • •	\$163,003	\$154,214	\$154,214	\$126,607	\$149,281	\$171,448	•
Private	2	2	•	• • •	•	•	•	•	•	•	•
Other	7	7	25	• • •	\$178,000	\$148,745	\$149,745	•	•	•	•

Summary of All Reported Data by Population Size

Scope	# of Utilities	# of Employees	Avg. # of Ees Sup	Exempt E / N / U	50th Percentile	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range			Avg Weekly Overtime
								Min	Mid	Max	
Over 1,000,000	0	0	•	• • •	•	•	•	•	•	•	•
500,000 - 1,000,000	0	0	•	• • •	•	•	•	•	•	•	•
250 - 499,999	0	0	•	• • •	•	•	•	•	•	•	•
100 - 250,000	0	0	•	• • •	•	•	•	•	•	•	•
50 - 100,000	23	23	56	• • •	\$159,431	\$159,508	\$159,508	\$120,863	\$141,588	\$163,193	•
25 - 50,000	25	22	47	• • •	\$147,919	\$154,402	\$154,402	\$122,619	\$147,402	\$172,064	•
10 - 25,000	34	32	23	• • •	\$128,205	\$138,774	\$138,774	\$126,968	\$149,311	\$171,667	9
5,000 - 9,999	0	0	•	• • •	•	•	•	•	•	•	•
< 5,000	0	0	•	• • •	•	•	•	•	•	•	•

Summary of All Reported Data by Total Employment

Scope	# of Utilities	# of Employees	Avg. # of Ees Sup	Exempt E / N / U	50th Percentile	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range			Avg Weekly Overtime
								Min	Mid	Max	
Over 1,000	0	0	•	• • •	•	•	•	•	•	•	•
500 - 1,000	0	0	•	• • •	•	•	•	•	•	•	•
200 - 500	3	3	•	• • •	•	•	•	•	•	•	•
100 - 200	4	3	•	• • •	•	•	•	•	•	•	•
50 - 100	16	15	50	• • •	\$177,000	\$171,146	\$171,146	\$120,732	\$149,818	\$179,104	•
25 - 50	26	23	32	• • •	\$188,343	\$162,219	\$162,219	\$127,209	\$153,539	\$179,086	•
< 25	33	33	23	• • •	\$116,254	\$117,848	\$117,848	\$110,547	\$126,343	\$141,809	9