

Cecelia Hartley

From: Sunset
Sent: Monday, December 13, 2010 3:05 PM
To: Cecelia Hartley
Subject: FW: Staff Report Feedback

-----Original Message-----

From: Sunset
Sent: Monday, December 13, 2010 2:25 PM
To: Sunset
Subject: Staff Report Feedback

Agency name: Environmental Quality, Texas Commission on

Response to staff report: December 13, 2010

My name is Michael R. Farrell and I serve as the Vice President and General Manager for Southern Utilities Company (Southern); 218 N. Broadway Ave.; Tyler, Texas 75702 (PWS Nos. 2120063 and 2010018). Southern is an Investor Owned Utility (IOU), and has been in operation since 1953.

Reference is made to that certain letter dated December 9, 2010, authored and submitted by Mr. Mark Zeppa, on behalf of the Independent Water and Sewer Companies of Texas (IWSCOT) relative to the proposal to to return the rate and certification regulatory jurisdiction, of IOUs, to the Public Utility Commission (PUC). As Mr. Zeppa, I was involved in proceedings at the PUC and I can state categorically that those were truly the "Bad Old Days", as stated by Mr. Zeppa, for both the utility, the State and its customers.

The net effect of transferring the economic regulatory jurisdiction back to the PUC will be increased cost to the utility and the State, which in turn will create increased cost and rates to the utility's customers. The Texas Commission on Environmental Quality (TCEQ) is certainly better qualified to regulate the economics of water and sewer utilities within the State of Texas. The TCEQ staff has a far better understanding of the unique needs of a water or sewer utility, as compared to the needs of an electric or telephone utility as regulated by the PUC. As Mr. Zeppa alluded to, "If it is true that the TCEQ staff lacks the sophistication and training to adequately regulate IOUs, the solution is to better train the TCEQ staff, not start all over again with an inexperienced PUC staff."

Southern fully supports IWSCOT's position in this regard, as expressed by Mr. Zeppa in his referenced Decembere 9, 2010 letter. Further, Southern would implore you to reconsider and reject any and all portions of the Sunset Staff Report that recommend transferring any part of IOU regulatory jurisdiction back to the PUC.

Your consideration is appreciated.

Sincerely Yours,

Southern Utilities Company
by: Michael R. Farrell
Vice President and General Manager