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SOAH DOCKET NO. 473-16-3408.WS

P.U.C. DOCKET NO. 43069

2016 DEC 14 PM 4:53

APPLICATION OF INLINE
DEVELOPMENT LLC FOR A
RATE/TARIFF CHANGE

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BEFORE THE STATE OFFICE OF
PUBLIC UTILITY COMMISSION
FILING CLERK
ADMINISTRATIVE HEARINGS

COMMISSION STAFF'S MEMORANDUM IN SUPPORT OF THE STIPULATION

On December 14, 2016, Commission Staff and Inline Development LLC filed a stipulation resolving all issues in this proceeding. Attached is the memorandum from Debi Loockerman, Financial Manager, and Heidi Graham, Technical Manager of the Water Utilities Division in support of the stipulation.

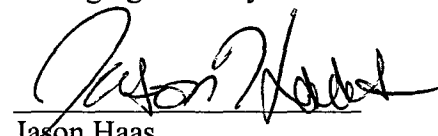
Dated: December 14, 2016

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director


Karen S. Hubbard
Managing Attorney



Jason Haas
State Bar No. 24032386
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7255
(512) 936-7268 (facsimile)
Jason.haas@puc.texas.gov

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on December 14, 2016 in accordance with 16 Tex. Admin. Code § 22.74.



Jason Haas

Public Utility Commission of Texas

Memorandum

TO: Jason Haas, Attorney
Legal Division

THRU: Tammy Benter, Director
Water Utilities Division

FROM: Debi Loockerman, Financial Manager
Heidi Graham, Technical Manager
Water Utilities Division

DATE: November 18, 2016

SUBJECT: **Docket No. 43069;** *Application of Inline Development LLC for a Rate/tariff Change*

Background

On September 9, 2014, Inline Development LLC (Inline or Applicant), Certificate of Convenience and Necessity (CCN) Nos. 12946 (water) and 20879 (sewer), filed an application with the Texas Commission on Environmental Quality (TCEQ) to change its water and sewer rates and to amend its tariff in Harris County, Texas. The increase affects two subdivisions: Sugarberry Place is served by TCEQ public water system (PWS) number 1013084, and Cottage Gardens is served by TCEQ PWS number 1013271. Both subdivisions are served by a sewer system with TCEQ discharge permit number WQ0013942001. The increase affects approximately 669 water customers and 1,084 sewer customers. The application was filed under Texas Water Code § 13.187 (TWC), and 30 Tex. Admin. Code § 291 (TAC). Effective September 1, 2014, the Public Utility Commission of Texas (PUC or Commission) began the economic regulation of water and sewer utilities. The application was transferred and is now under the PUC's jurisdiction as a result of this transfer. Inline filed amendments to its application on October 29, 2014, and February 2, 2016, and June 24, 2016.

Staff Recommendation

After review of the application, Staff recommends that the Commission find that the rate change proposed by Inline in the October 29, 2014 amendment is just and reasonable, and complies with the requirements of TWC §§ 13.182, 13.183, 13.185 and 16 TAC § 24.31 for the reasons discussed below.

Cost of Plant in Service

In their original application, the Applicant did not include the cost of plant in service. On June 24, 2016, the Applicant responded to Staff's second request for information and provided a determination of original cost of water and sewer plant in service through a trending study and other supporting documentation. Staff supports the Applicant's trended original costs and recommends an original cost of water plant in service in the amount of \$2,299,216 and an original cost of sewer plant in service in the amount of \$3,149,142.

Proposed Rates

TWC § 13.182 requires that rates be just and reasonable and that they are sufficient, equitable, and consistent with respect to each class of customers. Further, 16 TAC § 24.32 prohibits rate structures that discourage conservation by encouraging increased water usage and requires that charges in excess of the base rate be assessed on metered usage in terms of 1,000 gallons.

Staff reviewed the proposed rate design indicated in Sections IX and X of the application. Staff used the reported number of gallons billed in each tier, and the number of customers indicated in the application. Staff recommends that the proposed rates are just a reasonable and meets the requirements of TWC § 13.182 and 16 TAC § 24.32. The proposed rates are reasonable with respect to each customer. Therefore, Staff recommends that the stipulated (proposed) rates be approved. The following rates are recommended:

Water Service

<u>Meter Size</u>	<u>Minimum Charge (includes 0 gallons)</u>	<u>Gallage Rate (Per 1,000 gallons)</u>
5/8 inch	\$28.00	\$3.59

Sewer Service

<u>Meter Size</u>	<u>Minimum Charge (includes 0 gallons)</u>	<u>Gallage Rate (Per 1,000 gallons)</u>
5/8 inch	\$25.00	\$3.59

Staff recommends that the proposed rates are reasonable and necessary to provide water and wastewater service, and reasonably cover the costs of service. Furthermore, Staff acknowledges that the amount saved in rate case expense due to the settlement, as opposed to a conducting a fully contested evidentiary hearing, would most likely exceed any potential adjustments to the cost of service. In light of these savings and reasonableness of the proposed rates, Staff recommends that the Commission find the settlement stipulation to be in the public interest.

Conclusion

Based on this review, Staff recommends that:

1. the stipulation is in the public interest;
2. the rates and the tariff provisions included in the stipulation should be approved; and,
3. a copy of the attached tariff should be provided to the Applicant.