



Control Number: 45049



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DOCKET NO. 45049

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APPLICATION OF LAKELAND SECTION FOUR CIVIC CLUB WATER SYSTEM FOR A PASS THROUGH RATE CHANGE	§ § § § § § §	PUBLIC UTILITY COMMISSION PUBLIC UTILITY COMMISSION FILING CLERK OF TEXAS
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### COMMISSION STAFF'S RECOMMENDATION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and files this Response to Order No. 1 recommending that the application and notice are insufficient. In support thereof, Staff shows the following:

#### I. BACKGROUND

On August 18, 2015, Lakeland Section Four Civic Water Club Water System (Lakeland or Applicant) filed an application pursuant to 16 Tex. Admin. Code § 24.21(h)(4) (16 TAC) to implement its purchased water pass through clause. Lakeland proposes to increase the purchased water pass through rate charge to customers from \$2.64 to \$2.72 per 1,000 gallons effective September 1, 2015.

Lakeland's request is governed by 16 TAC § 24.21(h). The review of a proposed revision of a utility's billings to its customers to allow the recovery of additional costs under the utility's approved pass through provision is an informal proceeding.<sup>1</sup> Only Staff, or the utility, may request a hearing on the proposed revision.<sup>2</sup>

On August 20, 2015, the Administrative Law Judge (ALJ) directed Staff to file a recommendation on Lakeland's application and sufficiency of notice as well as to propose a procedural schedule. Therefore, Staff's response is timely filed.

#### II. ADMINISTRATIVE COMPLETENESS OF THE APPLICATION AND NOTICE

Rule 24.21(h)(4) provides the actions a utility must take prior to the beginning of the billing period in which the requested revision takes effect, which includes written notice to the

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<sup>1</sup> 16 TAC § 24.21(h)(3).

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

Commission and mailed notice to the utility's customers. Rule 24.21(h)(5) requires that notice to the Commission include a copy of the notice sent to customers, proof that purchased water has changed by the stated amount, and the calculations and assumptions used to determine the new rates.

Additionally, Rule 24.21(h)(4)(B) provides the requirements for notice to the utility's customers. Specifically, the Rule provides that the utility shall:

[M]ail notice to the utility's customers. Notice may be in the form of a billing insert and must contain the effective date of the change, the present calculation of customer billings, the new calculation of customers billings, and the change in charges to the utility for purchased water or sewage treatment or water use fees. The notice must include the following language: "This tariff change is being implemented in accordance with the utility's approved (purchased water) (purchased sewer) (water use fee) adjustment clause to recognize (increases) (decreases) in the (water use fee) (sewage treatment). The cost of these charges to customers will not exceed the (increase) (decreased) cost of (the water use fee) (purchased) (water) (sewage treatment)."

As detailed in the attached memo from Emily Sears, in the Commission Water Utilities Division, Staff has reviewed the application and recommends that the application be found administratively incomplete pursuant to 16 TAC § 24.21(h). Specifically, the Lakeland's notice to customers does not include the statement included in 16 TAC § 24.21(h).<sup>3</sup> In addition, Lakeland's proposed notice unnecessarily included an adjusted base rate calculation, and thus should remove this calculation from the notice. Lakeland also should correct the adjusted gallonage rate calculation and water loss percent. Finally, Staff notes that Lakeland is delinquent with regards to its regulatory assessment fee.

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<sup>3</sup> The notice that Lakeland filed as part of its application included the first sentence of the statement, but failed to include the second sentence: "The cost of these charges to customers will not exceed the (increase) (decreased) cost of (the water use fee) (purchased) (water) (sewage treatment)."

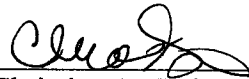
### **III. CONCLUSION**

Staff recommends that the application and notice are administratively incomplete due to deficiencies identified in the attached memo and recommends that the Applicant be given until October 8, 2015 to cure the deficiencies and file a revised application. Staff will then review this amended application for administrative completeness. In the event that Staff determines that the Applicant's amended application is administratively complete, Staff will propose a procedural schedule. Staff proposes a deadline of October 22, 2015, to make a recommendation on the sufficiency of the application or propose a procedural schedule. Staff respectfully requests that the ALJ issue an order consistent with this Response to Order No. 1.

Respectfully Submitted,

Margaret Uhlig Pemberton  
Division Director  
Legal Division

Stephen Mack  
Managing Attorney  
Legal Division

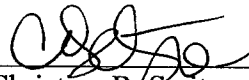


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**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on September 8, 2015 in accordance with P.U.C. Procedural Rule 22.74.



Christina R. Switzer

# **Public Utility Commission of Texas**

## **Memorandum**

**To:** Christina Switzer, Attorney  
Legal Division

**Thru:** Tammy Benter, Director  
Water Utilities Division

**From:** Emily Sears, Financial Analyst  
Water Utilities Division

**Date:** September 2, 2015

**Subject:** **Docket No. 45049; Application of Lakeland Section Four Civic Club Water System to Implement a Pass Through Rate Change for Lakeland Section Four Subdivision in Montgomery County.**

On August 18, 2015, Lakeland Section Four Civic Water Club Water System (Lakeland or Applicant), Certificate of Convenience and Necessity (CCN) No. 12270, filed an application with the Public Utility Commission of Texas (PUC) to implement an adjustment of its pass-through gallonage charge pursuant to 16 Tex. Admin. Code § 24.21(h) (TAC). This application will increase the Groundwater Reduction Plan fee to the Lakeland customers from \$2.64 per 1,000 gallons to \$2.72 per 1,000 gallons. The fee increase became effective September 1, 2015.

Based on an administrative review of the application, Staff finds that the applicant's notice is deficient. Therefore, Staff recommends that the application be deemed deficient for filing.

In order to cure the deficiency, Staff recommends the following changes to the notice:

1. Include the language required by 16 TAC § 24.21(h)(4)(B); "This tariff change is being implemented in accordance with the utility's approved water use fee adjustment clause to recognize increases in the water use fee. The cost of these charges to customers will not exceed the increased cost of water use fee."
2. Remove the Adjusted Base Rate calculation, as it is not being changed in this filing, and should not be included in the notice.
3. Correct the Adjusted Gallonage Rate calculation to "AG = 2.65 + (0.07 / (1-0.15)) = 2.72."
4. Correct the Water Loss % on the second page of the notice from 19.04 to 18.97.

The applicant is also delinquent with regards to its regulatory assessment fee.