



Control Number: 45049



Item Number: 5

Addendum StartPage: 0

Lakeland Section 4 Water Operations Office
A-1 Utility & Construction Services, Inc.
27351 Blueberry Hill Drive, Suite 36
Conroe, Texas 77385-8969

Phone (281) 367-0935

September 16, 2015

Public Utility Commission of Texas
PO Box 13326
Austin, Texas 78711-3326

RECEIVED
2015 SEP 23 AM 10:56
PUBLIC UTILITY COMMISSION
FILING CLERK

RE: Docket #45049 - Increase in pass through rate
Lakeland Section 4 Civic Club Water - CCN #12270

To Whom It May Concern,

The above referenced water system is part of the San Jacinto River Authority Groundwater Reduction Plan which currently charges the water system a pumping fee of \$2.25 per 1,000 gallons. Your office granted our previous pass through change application on November 4, 2014. This allowed us to charge our customers \$2.64 per 1,000 gallons. The SJRA has notified us that the rate will be increasing from \$2.25 to \$2.32 per 1,000 gallons effective September 1, 2015. This letter is to serve as a request to increase the current pass through charge of \$2.64 to \$2.72 effective October 21, 2015.

I previously submitted this request on August 11, 2015 but the request was deemed deficient on September 2, 2015. There were 4 items addressed which I have revised on the attached notice to customers, which was mailed to all water customers in the system this morning.

- 1) The required language has been included
- 2) The Adjusted Base Rate calculation has been removed
- 3) The Adjusted Gallonage Rate has been revised to reflect only the SJRAGR fee of \$2.64
- 4) Revised water loss report is attached for review – informational page has been removed.

I have also verified with the T.C.E.Q. that the system is no longer delinquent with regards to its regulatory assessment fee (Rhonda @ T.C.E.Q. Financial 512-239-0355).

Sincerely,

Darcy D. Tramm

Darcy Tramm, Office Manager
District Operations Company

Enclosures: Copy of notice of proposed increase pass through rate sent to customers 09/16/15
Usage and Loss Report (previous 12 months)
Copy of Docket Number 45049
Copy of 09/02/15 Public Utility Commission Memorandum

NOTICE TO CUSTOMERS OF PROPOSED INCREASE IN PASS THROUGH RATE

Lakeland Section Four Civic Club Water System

12270

Company Name

CCN Number

has a pass through rate provision as part of water utility tariff on file with the Texas Public Utility Commission (Commission). 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. To modify the pass through provision, the utility must comply with all notice and other requirements of 30 TAC 291.21(h).

Please read all information carefully.

Lakeland Section 4

Subdivision Affected by Pass Through Provision

77384

Zip Codes Affected by Pass Through Provision

27351 Blueberry Hill Drive, Suite 36

Conroe

Texas

77385-8969

(281) 367-9419

Company Address

City

State

Zip

Phone #

September 16, 2015

October 21, 2015

Date Customer Notice Mailed

Effective Date of the Increase

PASS THROUGH RATE PROVISION: For utilities subject to changes in cost imposed by any non-affiliated provider of purchased water or sewer or a groundwater conservation district having jurisdiction over the Utility, these increases shall be passed through as an adjustment to the base rate and gallonage charge according to the formulas:

Adjusted Gallonage Rate (AG) = $G + [B / (1 - L)]$, Where:

AG = adjusted gallonage charge, rounded to nearest one cent;

G = approved gallonage charge, per 1,000 gallons;

B = change in fee (per 1,000 gallons);

L = water or sewer line loss for preceding 12 months, not to exceed 0.15 (15%)

Adjusted Gallonage Rate = Approved Gallonage Charge + [change in fee / (1 - water loss)]

Gallon Rate (SJRA-GRP) $AG = 2.64 + [0.07 / 1 - 0.15] = 2.64 + [0.07 / 0.85] = 2.72$

This notice is to make you aware that the SJRA GRP rate charged to you on your monthly water bill is changing from \$2.64 per 1,000 gallons billed to \$2.72 per 1,000 gallons billed effective with bill due 12/16/2015 (water usage from 10/21/2015 to 11/21/2015).

No other rates are affected by this rate change

Please call the billing office if you have any questions regarding your water billing at (281) 367-0935.

USAGE AND LOSS REPORT

Lakeland Section 4

Month	Water Pumped	Water Sold	Water Loss Pct	Average Use	Active Meters	Zero Use Meters	Over 50000	40001 50000	30001 40000	20001 30000	10001 20000	8001 10000	6001 8000	4001 6000	2001 4000	1 2000
09-14	922,000	617,000	33.08	5,609	110	15	0	0	0	4	13	5	11	17	21	25
10-14	454,000	393,000	13.44	3,573	110	22	0	0	0	1	4	8	7	8	29	31
11-14	758,000	461,000	39.18	4,191	110	14	0	0	0	3	5	4	7	9	38	30
12-14	705,000	477,000	32.34	4,297	111	17	0	1	1	1	5	3	6	13	34	29
01-15	617,000	432,000	29.98	3,927	110	19	1	0	1	0	2	1	7	13	37	28
02-15	431,000	383,000	11.14	3,482	110	19	0	0	0	1	1	3	9	20	31	26
03-15	325,000	309,000	4.92	2,809	110	20	0	0	0	0	0	1	4	19	34	32
04-15	365,000	340,000	6.85	3,091	110	18	0	0	0	0	2	4	5	14	32	35
05-15	420,000	343,000	18.33	3,118	110	17	0	0	1	0	2	2	5	14	24	45
06-15	507,000	475,000	6.31	4,318	110	20	0	0	1	2	5	3	8	18	27	27
07-15	500,000	467,000	6.60	4,245	110	19	0	0	1	0	6	7	8	11	29	28
08-15	1,210,000	1,124,000	7.11	10,218	110	15	1	2	4	6	16	7	8	12	19	21

12 Month Totals

Total	Water Pumped	7,214,000
Total	Water Sold	5,821,000
Total	Used for Fire/Flush	0
Total	Water Loss	1,393,000
Total	Water Loss Percent	19.31 %

Qualified By: System Totals 09-14 to 08-15
A-1 Utility & Construction

Monthly Averages

Average	Water Pumped	601,167
Average	Water Sold	485,083
Average	Used for Fire/Flush	0
Average	Water Loss	116,083
Average	Water Loss Percent	19.31 %
Average	Customer Use	4,407

DOCKET NO. 45049

APPLICATION OF LAKELAND SECTION FOUR CIVIC CLUB WATER SYSTEM FOR A PASS THROUGH RATE CHANGE	§ § § § § § § §	PUBLIC UTILITY COMMISSION OF TEXAS RECEIVED SEP 8 PM 2:00 PUBLIC UTILITY COMMISSION FILING CLERK
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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.¹ Only Staff, or the utility, may request a hearing on the proposed revision.²

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

¹ 16 TAC § 24.21(h)(3).

² *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) (decrease) 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).³ 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.

³ 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) (decrease) cost of (the water use fee) (purchased) (water) (sewage treatment)."

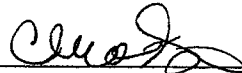
III. CONCLUSION

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



Christina R. Switzer
Attorney-Legal Division
State Bar No. 24066171
(512) 936-7216
(512) 936-7268 (facsimile)
Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

DOCKET NO. 45049

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.