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PUBLIC UTILITY COMMISSION
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OPEN MEETING COVER SHEET

MEETING DATE: February 11, 2016

DATE DELIVERED: February 4, 2016

AGENDA ITEM NO.: 36

CAPTION: PUC Docket # 45283; SOAH Docket No. 473-16-1834.WS
Ratepayers' Appeal of the decision by North
San Saba Water Supply Corporation to
Change Rates

ACTION REQUESTED: Discussion and possible action with respect
to Draft Preliminary Order.

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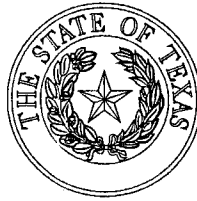
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Public Utility Commission of Texas

TO: Chairman Donna L. Nelson
Commissioner Kenneth W. Anderson, Jr.
Commissioner Brandy Marty Marquez

All Parties of Record

FROM: Mark Hovenkamp, Commission Advising

RE: February 11, 2016, Open Meeting Agenda Item No. 36 
Draft Preliminary Order, PUC Docket No. 45283; SOAH Docket No. 473-16-
1834.WS – *Ratepayers' Appeal of the Decision by North San Saba Water Supply
Corporation to Change Rates*

DATE: February 4, 2016

Please find enclosed the draft preliminary order filed by Commission Advising in the above-referenced docket. The Commission will consider this draft preliminary order at the February 11, 2016 open meeting. Parties shall not file responses or comments addressing this draft preliminary order.

Any modifications to the draft preliminary order that are proposed by one or more Commissioners will be filed simultaneously prior to the consideration of the matter at the February 11, 2016 open meeting.

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**SOAH DOCKET NO. 473-16-1834.WS
PUC DOCKET NO. 45283**

| | | |
|--|----------------------|--|
| RATEPAYERS' APPEAL OF THE DECISION BY NORTH SAN SABA WATER SUPPLY CORPORATION TO CHANGE WATER RATES | § § § | PUBLIC UTILITY COMMISSION OF TEXAS |
|--|----------------------|--|

DRAFT PRELIMINARY ORDER

On October 26, 2015, Barbara Horn, designated representative for the ratepayers committee filed a petition with the Commission to appeal the decision by the North San Saba Water Supply Corporation to increase water rates.¹ The petition challenges North San Saba's increase to retail water rates, effective on September 5, 2015.² However, residents were notified of the rate change via a letter, sent on October 8, 2015, that states the new rates are effective on September 15, 2015.³

North San Saba serves 297 connections.⁴ The ratepayers' petition asserts that the new rates represent an increase as shown below.

| | New rates | Old rates |
|-------------------------|---------------------------------------|------------------|
| Base (monthly) rate | \$82.00 residential, \$400 commercial | \$70 residential |
| 1 to 4,000 gallons | \$2.70 per thousand gallons | \$2.70 |
| 4001 to 8,000 gallons | \$5.07 per thousand gallons | \$3.38 |
| 8,001 to 20,000 gallons | \$7.09 per thousand gallons | \$4.05 |
| 20,001 gallons or more | \$9.46 per thousand gallons | \$4.73 |

¹ Ratepayers' Appeal of the Decision by North San Saba Water Supply Corporation to Change Water Rates Rates (Oct. 26, 2015).

² *Id.*

³ *Id.* at attachment of North San Saba October 8, 2015 correspondence.

⁴ Commission Staff's Comments at 2 (Dec. 4, 2015).

On January 11, 2016, the Commission issued an order referring this docket to the State Office of Administrative Hearings (SOAH) and requesting that interested parties file a list of issues to be addressed in this proceeding. North San Saba and Commission Staff timely filed a list of issues.

I. Issues to be Addressed

The Commission must provide to the administrative law judge (ALJ) a list of issues or areas to be addressed in any proceeding referred to SOAH.⁵ After reviewing the pleadings submitted by the parties, the Commission identifies the following issues that must be addressed in this docket:

1. Did the petition appealing the rate change by North San Saba follow the requirements of Texas Water Code⁶ (TWC) § 13.043(b), (c), and (d); 16 Texas Administrative Code (TAC) § 24.41(b), (c), and (d); and 16 TAC § 24.42(a) and (b)?
 - a. Was the petition filed within 90 days after the effective date of the rate change? TWC § 13.043(c) and 16 TAC § 24.41(b).
 - b. What number of ratepayers had their rates changed? TWC § 13.043(c) and (d) and 16 TAC § 24.41(d).
 - c. Did the lesser of 10,000 or 10% of those ratepayers file valid protests to North San Saba's rate change? TWC § 13.043(c) and 16 TAC § 24.41(b).
2. Considering only the information available to the governing body, what are the just and reasonable rates for North San Saba that are sufficient, equitable, and consistent in application to each customer class and that are not unreasonably preferential, prejudicial, or discriminatory? TWC § 13.043(e) and (j) and 16 TAC § 24.41(e) and (i).
 - a. What is the appropriate methodology to determine just and reasonable rates for the North San Saba?

⁵ Tex. Gov't Code Ann. § 2003.049(e) (West 2008 & Supp. 2014).

⁶ TWC § 13.043(b), (c), and (d) (West 2008 & Supp. 2015).

- b. What is the revenue requirement that would give North San Saba sufficient funds to provide adequate retail water service?
 - c. What is the appropriate allocation of the revenue to customer classes?
 - d. What is the appropriate design of rates for each class to recover North San Saba's revenue requirement?
- 3. Should the Commission establish or approve interim rates to be in effect until a final decision is made.⁷
- 4. What are the reasonable expenses incurred by North San Saba in this proceeding? TWC § 13.043(e) and 16 TAC § 24.41(e)(2).
 - a. Should the Commission allow recovery of these reasonable expenses?
 - b. If so, what is the appropriate recovery mechanism?
- 5. What is the appropriate effective date of the rates fixed by the Commission in this proceeding? TWC § 13.043(e) and 16 TAC § 24.41(e)(3).
- 6. If the Commission establishes rates different than the rates set by North San Saba, should the Commission order refunds or allow surcharges to recover lost revenues? If so, what is the appropriate amount and over what time period should the refund or surcharge be in place? TWC § 13.043(e) and 16 TAC § 24.41(e)(4) .

This list of issues is not intended to be exhaustive. The parties and the SOAH ALJ are free to raise and address any issues relevant in this docket that they deem necessary, subject to any limitations imposed by the SOAH ALJ, or by the Commission in future orders issued in this docket. The Commission reserves the right to identify and provide to the SOAH ALJ in the future any additional issues or areas that must be addressed, as permitted under Tex. Gov't Code Ann. § 2003.049(e).

⁷ TWC § 13.043(h) (West 2008 & Supp. 2015); .16 TAC § 24.41(e)(6) and (h).

II. Effect of Preliminary Order

This Order is preliminary in nature and is entered without prejudice to any party expressing views contrary to this Order before the SOAH ALJ at hearing. The SOAH ALJ, upon his or her own motion or upon the motion of any party, may deviate from this Order when circumstances dictate that it is reasonable to do so. Any ruling by the SOAH ALJ that deviates from this Order may be appealed to the Commission. The Commission will not address whether this Order should be modified except upon its own motion or the appeal of a SOAH ALJ's order. Furthermore, this Order is not subject to motions for rehearing or reconsideration.

SIGNED AT AUSTIN, TEXAS the _____ day of February 2016.

PUBLIC UTILITY COMMISSION OF TEXAS

DONNA L. NELSON, CHAIRMAN

KENNETH W. ANDERSON, JR., COMMISSIONER

BRANDY MARTY MARQUEZ, COMMISSIONER