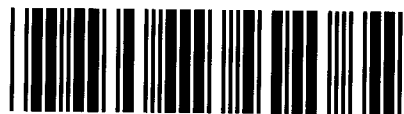




Control Number: 45301



Item Number: 3

Addendum StartPage: 0

APPLICATION OF JOHNSTON WATER UTILITY, LLC FOR A PASS THROUGH RATE CHANGE	§ § §	PUBLIC UTILITY COMMISSION PUBLIC UTILITY COMMISSION FILING CLERK OF TEXAS
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### COMMISSION STAFF'S SUFFICIENCY RECOMMENDATION

**COMES NOW** the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this Sufficiency Recommendation. In support thereof, Staff shows the following:

#### I. BACKGROUND

On November 2, 2015, Johnston Water Utility, LLC (Johnston) filed an application to implement a pass-through rate increase for pumpage fees imposed on the utility by the San Jacinto River Authority (SJRA).

Johnston'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 November 5, 2015, the Administrative Law Judge (ALJ) issued a notice requiring Staff to file a recommendation on Johnston's application and sufficiency of notice by November 23, 2015. Therefore, this pleading is timely filed.

#### II. DEFICIENCY RECOMMENDATION

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 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.

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<sup>1</sup> 16 TAC § 24.21(h)(3).

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

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 (Attachment A) from Sean Scaff, 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, Johnston should provide correspondence from SJRA that shows that the pass-through fees have increased by the stated amount. In addition, Johnston should provide a copy of the notice provided to customers that shows the proposed increase in pass-through fees. The notice must use the correct formula and include information required under 16 TAC § 24.21(h)(4)(B). Furthermore, as the ALJ observed in its notice, Johnston also should clarify whether the customers affected are in the High Meadow Subdivision, as described in the tariff, or High Meadows Ranch, as described in the application. Finally, given that Johnston has not provided evidence that it provided notice to the affected customers, Staff recommends that Johnston not be permitted to implement the proposed pass-through water rate increase until the application is determined to be administratively complete.

Staff recommends that Johnston be given until January 4, 2016 to cure the deficiencies identified by Staff and that Staff be given until February 1, 2016 to provide a supplemental recommendation.


### **III. CONCLUSION**

Staff respectfully requests that the ALJ enter an order consistent with this Recommendation.

Respectfully Submitted,

Margaret Uhlig Pemberton  
Division Director  
Legal Division

Stephen Mack  
Managing Attorney  
Legal Division

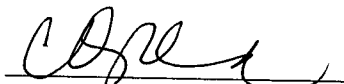


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**TARIFF NO. 45301**

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on November 23, 2015, in accordance with 16 TAC § 22.74.

  
Christina R. Switzer

Attachment

**Public Utility Commission of Texas**

**Memorandum**

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

**FROM:** Sean Scaff, Engineering Specialist  
Water Utilities Division

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

**DATE:** November 23, 2015

**RE:** **Docket No. 45301:** *Application of Purchased Water Pass-Through Increase, Johnston Water Utility, LLC*

On November 2, 2015, Johnston Water Utility, LLC (Applicant) filed an application regarding a purchase water pass-through increase from San Jacinto River Authority (SJRA) related to its Certificate of Convenience and Necessity (CCN) No. 12788 in Harris County. The application is being reviewed pursuant to 16 Tex. Admin. Code (TAC) §§ 24.21(h).

Staff reviewed the application and found that it is deficient in the required information. Therefore, I recommend that the application be deemed insufficient for filing and found administratively incomplete. Further, I recommend the Applicant address the following:

1. Provide correspondence from SJRA that shows the pass through fees have increase by the stated amount.
2. Provide a copy of the notice provided to customers that shows the increase in pass through fees. The notice must include information required pursuant to 16 Tex. Admin. Code (TAC) §§ 24.21(h)(4)(B).
3. Provide a corrected pass through calculation for the suggested rate increase on the notice provided to the customers. The current calculation is incorrect and derives the wrong pass through gallonage rate.
  - a. The currently approved gallonage charge is \$2.25
  - b. The change in fee is \$0.07
  - c. The water line loss is  $(1 - .097) = 0.90$
  - d. Pass through calculation on notice should read:
$$(2.25 + .07) / (1 - 0.097) = \$2.32 / .90 = \$2.58 \text{ per 1, 1000 gallons}$$
4. Clarify whether the customers affected are in the High Meadow Subdivision, as described in the tariff, or High Meadows Ranch, as described in the application.

Staff recommends that the proposed pass-through water rate increase should not be implemented until the application can be determined to be administratively complete.