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DOCKET NO. 45491

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**APPLICATION OF RANKIN PARK
MAINTENANCE & UTILITIES
COMPANY FOR CLASS B
RATE/TARIFF CHANGE**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**COMMISSION STAFF'S MEMORANDUM IN SUPPORT OF
SETTLEMENT**

COMES NOW the Staff ("Staff") of the Public Utility Commission of Texas ("Commission"), representing the public interest, and files this Memorandum in Support of Settlement.

On January 4, 2016, Rankin Park Maintenance & Utilities Company ("Rankin") filed an application for a rate/tariff change. Rankin and Staff, which are the only parties to this proceeding, have entered into a unanimous stipulation regarding the application and, on the same date as this pleading, filed a motion for the admission of evidence and approval of the parties' proposed order.

Consistent with the attached memorandum of Patricia Garcia, Water Utility Division, Staff supports the settlement and respectfully requests adoption of the parties' proposed order.


Date: September 23, 2016

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Stephen Mack
Managing Attorney

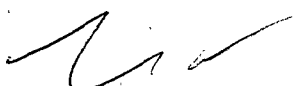


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CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on September 23, 2016 in accordance with 16 TAC § 22.74.



Landon J. Lill

Public Utility Commission of Texas

Memorandum

To: AJ Smullen, Attorney
Landon Lill,
Legal Division

Thru: Debi Loockerman, Manager
Heidi Graham, Manager
Water Utilities Division

From: Andrew Novak, Financial Analyst
Patricia Garcia, Engineering Specialist
Water Utilities Division

Date: September 9, 2016

Subject: **Docket No. 45491, *Application of Rankin Park Maintenance & Utilities Company for Class B Rate/Tariff Change***

On January 4, 2016, Rankin Park Maintenance & Utilities Company (Rankin Park) of Spring, Texas filed with the Public Utility Commission of Texas (Commission) an application for a rate/tariff change. On April 26, 2016 an order was filed by the Commission allowing Rankin Park to recover interim rates beginning May 1, 2016. In a joint agreement with Commission staff, Rankin Park has agreed to structure Rankin Park's revenue requirement and rate design in accordance with the following.

Staff Recommendation

Revenue Requirement

For providing water service and wastewater service, Rankin Park requested a total revenue requirement of \$151,799 and \$109,149, respectively. Both revenue requirements are generally comprised of expenses permitted pursuant to 16 TAC § 24.31(b) and a return on invested capital pursuant to 16 TAC § 24.31(c). However, based on review of the application, information provided in the applicant's responses to discovery, and discussions with Rankin Park, Staff found adjustments that would be recommended in the event that an evidentiary hearing was held.

Staff made reasonable adjustments to the cost of service and is satisfied that agreed upon revenue requirement of \$109,343 for water and \$95,503 for wastewater is reasonable and in the public interest. Staff believes both revenue requirements will enable Rankin Park to generate sufficient revenues to cover operational and maintenance cost and generate a reasonable return. Staff believes that approval of the settlement stipulation is in the public interest.

Rate Design

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 the application. Staff used the reported number of gallons billed, and the approximate number of customers. The stipulated rates generate revenues to

recover the Applicant's proposed water revenue requirement of \$119,433 and wastewater revenue requirement of \$96,703. The settled rates are reasonable with respect to each customer. The following are the agreed upon rates:

Water:

<u>Meter Size</u>	<u>Minimum Charge (includes 0 gallons)</u>	<u>Gallonge Rate (per 1,000 gallons)</u>
5/8 inch	\$30.40	\$3.00
3/4 inch	\$45.60	
1 inch	\$76.00	
1 ½ inch	\$152.00	
2 inch	\$243.20	
3 inch	\$456.00	

Wastewater:

<u>Meter Size</u>	<u>Minimum Charge (includes 0 gallons)</u>	<u>Gallonge Rate (per 1,000 gallons)</u>
5/8 inch	\$24.73	\$3.00
3/4 inch	\$37.10	
1 inch	\$61.83	
1 ½ inch	\$123.65	
2 inch	\$197.84	
3 inch	\$370.95	

Conclusion

Based on this review, Staff recommends that the commission:

1. Find that the stipulation is in the public interest;
2. Approved the requested rates included in the attached tariff; and,
3. Provide a copy of the attached tariff to the Applicant.