



Control Number: 45550



Item Number: 24

Addendum StartPage: 0

RECEIVED

APPLICATION OF DEER CREEK  
RANCH WATER COMPANY FOR A  
PASS-THROUGH RATE CHANGE

§  
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§

PUBLIC UTILITY COMMISSION

2016 DEC 16 PM 1:41  
PUBLIC UTILITY COMMISSION  
OF TEXAS  
FILING CLERK

### COMMISSION STAFF'S RECOMMENDATION

**COMES NOW** the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and files this Recommendation in response to a Notice Granting Staff's Request for Extension and would show the following:

#### I. BACKGROUND

On January 27, 2016, Deer Creek Ranch Water Company (Deer Creek) filed an application to implement a pass-through rate change for the water fees imposed on the utility by the West Travis County Public Utility Agency.

Deer Creek's request is governed by 16 Tex. Admin. Code § 24.21(h) (TAC). 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 22, 2016, a notice was issued establishing a deadline of December 16, 2016 for Staff to file a recommendation on final disposition of the application or propose additional deadlines as needed. This pleading is therefore timely filed.

#### II. RECOMMENDATION

As supported by the attached memorandum from Emily Sears of the Commission's Water Utility Regulation Division, Staff's review of Deer Creek's application as amended and supplemented by Deer Creek over the course of this proceeding indicates that the pass-through formula contained in Deer Creek's tariff does not accurately reflect the structure of the costs that are passed through to Deer Creek's customers. Staff and Deer Creek have conferred regarding this issue and have jointly drafted an updated pass-through formula that better captures the

<sup>1</sup> 16 TAC § 24.21(h)(3).

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

structure of the pass-through costs. Page No. 2b of the attached tariff contains the jointly drafted revisions to the pass-through formula. It also removes the true-up requirement that is currently in Deer Creek's tariff. Staff therefore recommends that the revised pass-through formula contained on page No. 2b of the attached tariff be included in the tariff issued to Deer Creek upon final disposition of this application, and Staff is authorized to represent that Deer Creek agrees to the revised pass-through formula contained on page No. 2b in the attached tariff.

Staff's review of Deer Creek's application indicates that an over-collection of pass-through costs occurred in 2015 and that the pass-through rate noticed in the application was incorrect, resulting in a further over-collection. Staff recommends that the pass-through rates as calculated in the attached memorandum be approved and that the over-collected costs be refunded to Deer Creek's customers over a period of time equal in length to the period in which the over-collections occurred, as detailed in the attached memorandum. Staff further recommends that Deer Creek be directed to file an affidavit attesting that the over-collections have been refunded and providing summary information reflecting the amounts refunded upon completion of the refunds or within 36 months from the date of the final order or notice in this proceeding, whichever comes first. Staff has conferred with Deer Creek regarding these over-collections, but the parties have not reached an agreement on this issue, and discussions between the parties are ongoing. Staff is therefore not authorized to make any representations regarding Deer Creek's position on this issue. The attached tariff contains language implementing Staff's recommendation, and Staff is not authorized to make any representations regarding Deer Creek's position on any portions of the tariff aside from the revised pass-through formula on page No. 2b. Staff therefore recommends that a deadline of January 17, 2017 be established for Deer Creek to file a response to Staff's recommendation.

### **III. CONCLUSION**

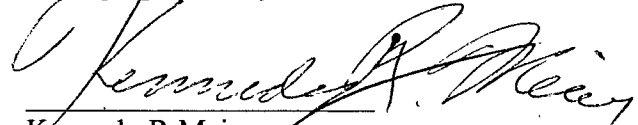
For the reasons detailed above, Staff respectfully recommends that the revised rate calculated in the attached memorandum be approved, that the attached tariff be issued to Deer Creek, that Deer Creek be directed to refund the over-collection and file an affidavit as detailed above and in the attached memorandum, and that a deadline of January 17, 2017 be established for Deer Creek to respond to Staff's recommendation.

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF  
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

Stephen Mack  
Managing Attorney

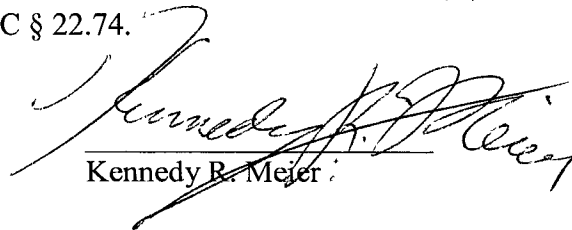


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**TARIFF CONTROL NO. 45550**

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on this the 16<sup>th</sup> of December, 2016 in accordance with 16 TAC § 22.74.



Kennedy R. Meier

# *Public Utility Commission of Texas*

## Memorandum

**To:** Kennedy Meier, Attorney  
Legal Division

**Thru:** Tammy Benter, Director  
Debi Loockerman, Manager  
Water Utility Regulation Division

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

**Date:** November 15, 2016

**Subject:** **Tariff Control No. 45550;** *Application of Deer Creek Ranch Water Company for a Water Pass-Through Rate Change*

On January 27, 2016, Deer Creek Ranch Water Company, LLC (Deer Creek or Applicant), Certificate of Convenience and Necessity (CCN) No. 11241, 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). Deer Creek provides water service in Hays and Travis Counties. This application includes a decrease to the gallonage charge included in the purchased water fee to the Deer Creek customers from \$3.46 per 1,000 gallons to \$2.76 per 1,000 gallons, and an increase in the monthly minimum charge. The fee change became effective February 1, 2016.

Staff conducted the technical review of this application, including a review of the calculations and true-up. Staff determined that the calculations and tariff formula were double collecting for the Lower Colorado River Authority (LCRA) reservation fee. Staff also determined that the Applicant charged tariffed rates that were higher than the actual rate being charged to them from the pass-through entity for several months. These errors resulted in an over-collection by the Applicant of \$47,259.77. The West Travis County Public Utility Agency (WTCPUA) fees were also not included in the tariff, but are a part of the pass-through amounts needed to be collected. Therefore, Staff has worked with the Applicant to determine the correct formula required to recover all fees for the purchased water. Staff has determined the following formulas should be used to calculate the pass through:

$$G = (B_1 + B_2) / (1 - L)$$
$$M = (W + A + R) / C$$

Where:

G = additional gallonage charge, rounded to the nearest one cent

B<sub>1</sub> = WTCPUA gallonage charge (per 1,000 gallons)

B<sub>2</sub> = LCRA Diversion and Use (per 1,000 gallons)\*

L = system average line loss for preceding 12 months not to exceed 0.15

M = additional monthly base charge

W = WTCPUA monthly minimum base charge

A = WTCPUA annual fee/12 months in the billing year\*\*

R = LCRA monthly reservation fee\*\*\*

C = number of accounts at the beginning of the monthly billing cycle

\*(Diversion and Use in ac-ft – Reservation Fee in ac-ft)/325.851429.

\*\*WTCPUA Annual fee is \$50,000.

\*\*\* (Reservation fee x number of ac-ft reserved per contract)/12 months in the billing year.

Based on these formulas, the new gallonage rate was calculated to be  $(\$1.81 + ((\$145 - \$72.50)/325.851429))/(1 - 0.15) = \$2.38$ . The new monthly fee was calculated to be  $(\$8010.74 + (\$50,000/12) + ((\$72.50 * 250) / 12)) / \text{number of accounts at the beginning of the monthly billing cycle} = \$13,687.582$  (number of accounts at the beginning of the monthly billing cycle).

Staff also recommends that the Applicant refund both the over-collection of \$47,259.77, and the over-collection from the incorrect rates produced by this application directly, over a period equal in length to the period in which both over-collections occurred. Staff recommends the Applicant pass back the over-collection of \$47,259.77 based on the usage information for the period in which the over-collection occurred.

Based on the above information, Staff recommends:

1. Approval of the pass-through change and issuance of an order to the Applicant;
2. Provision of a copy of an approved tariff to the Applicant (attached);
3. The Applicant be required to refund the over-collection and after appropriate attempts at refunding amounts to any former customers who were overcharged, to treat in accordance with Texas law any refunds owed to former customers who cannot be located; and
4. The Application be directed to provide an affidavit attesting to the refund upon completion or 36 months from the date of the order, whichever is earlier, with a summary billing for the period of refunds reflecting, by account number, actual refunds made during the period.



**WATER UTILITY TARIFF**  
**Tariff Control Number: 45550**

Deer Creek Ranch Water Company, LLC  
(Utility Name)

P.O. Box 436  
(Business Address)

Dripping Springs, Texas 78620  
(City, State, Zip Code)

(512)858-5276  
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate of Convenience and Necessity:

11241

This tariff is effective in the following counties:

Hays and Travis

This tariff is effective in the following cities or unincorporated towns (if any):

None

This tariff is effective in the following subdivisions and public water systems:

Deer Creek Water Company: PWS ID #2270049

**TABLE OF CONTENTS**

The above utility lists the following sections of its tariff (if additional pages are needed for a section, all pages should be numbered consecutively):

SECTION 1.0 -- RATE SCHEDULE .....	2
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## SECTION 1.0 -- RATE SCHEDULE

## Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonage Charge</u>
5/8" or 3/4"	\$ <u>44.00</u> (includes 0 gallons)	\$ <u>2.00</u> per 1,000 gallons, 0-2,000 gallons
1"	\$ <u>110.00</u>	\$ <u>4.00</u> per 1,000 gallons, next 2,001-4,000 gallons
1 1/2"	\$ <u>220.00</u>	\$ <u>5.00</u> per 1,000 gallons, next 4,001-6,000 gallons
2"	\$ <u>352.00</u>	\$ <u>6.25</u> per 1,000 gallons, 6,001 and thereafter
3"	\$ <u>660.00</u>	
4"	\$ <u>1,100.00</u>	*Plus

\*Plus **\$2.38** per 1,000 gallons for West Travis County Public Utility Agency (WTCPUA) and Lower Colorado River Authority (LCRA) pass through fees  
 $[(\$1.81+0.22)/(1-0.15)] = \$2.38/1,000 \text{ gallons}$

\*Plus **\$13,687.58/(number of accounts at the beginning of the monthly billing cycle)**

\*Less a refund to pass back overcollections as ordered in Tariff Control No. 45550, which will continue for two years, or until all amounts are passed back.

**(Tariff Control No. 45550)**

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X, Check X, Money Order X, Credit Card     , Other (specify)       
 THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

REGULATORY ASSESSMENT .....1.0%  
 PUC RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL AND REMIT TO THE TCEQ.

## Section 1.02 - Miscellaneous Fees

TAP FEE ..... **\$1,200.00**  
 TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" OR 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Unique costs) ..... Actual Cost  
 FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

TAP FEE (Large meter) ..... Actual Cost  
 TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.

METER RELOCATION FEE ..... Actual Relocation Cost, Not to Exceed Tap Fee  
 THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

SECTION 1.0 -- RATE SCHEDULE (Continued)

Section 1.02 - Miscellaneous Fees (continued)

METER TEST FEE.....	<u>\$25.00</u>
THIS FEE WHICH SHOULD REFLECT THE UTILITY’S COST MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THE FEE MAY NOT EXCEED \$25.00.	
RECONNECTION FEE	
THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):	
a) Non payment of bill (Maximum \$25.00).....	..... <u>\$25.00</u>
b) Customer's request that service be disconnected.....	..... <u>\$50.00</u>
TRANSFER FEE .....	<u>\$50.00</u>
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.	
LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL).....	<u>10%</u>
PUC RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.	
RETURNED CHECK CHARGE .....	<u>\$30.00</u>
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY’S DOCUMENTABLE COST.	
CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50) .....	<u>\$50.00</u>
COMMERCIAL & NON-RESIDENTIAL DEPOSIT .....	1/6TH OF ESTIMATED ANNUAL BILL
GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE:	
WHEN AUTHORIZED IN WRITING BY PUC AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [PUC SUBST. R. §24.21(K)(2)]	
LINE EXTENSION AND CONSTRUCTION CHARGES:	
REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.	

## SECTION 1.0 -- RATE SCHEDULE (Continued)

Section 1.02 - Miscellaneous Fees (continued)

## PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE:

Changes in fees imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the charges according to the following formula:

$$G = (B_1 + B_2) / (1 - L)$$

$$M = (W + A + L) / C$$

Where:

G = additional gallonage charge, rounded to the nearest one cent

B<sub>1</sub> = WTCPUA gallonage charge (per 1,000 gallons)

B<sub>2</sub> = LCRA Diversion and Use (per 1,000 gallons)\*

L = system average line loss for preceding 12 months not to exceed 0.15

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\*(Diversion and Use in ac-ft – Reservation Fee in ac-ft)/325.851429.

\*\*WTCPUA Annual fee is \$50,000.

\*\*\* (Reservation fee x number of ac-ft reserved per contract)/12 months in the billing year.

To implement the Temporary Water Rate, the utility must comply with all notice requirements of 16 TAC §24.21.