



Control Number: 46219



Item Number: 6

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RECEIVED

APPLICATION OF WEST OAKS
 PHOENIX CORPORATION FOR
 TEMPORARY RATES FOR
 SERVICES PROVIDED FOR A
 NONFUNCTIONING UTILITY

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PUBLIC UTILITY COMMISSION

2016 SEP 23 PM 2

OF TEXAS

PUBLIC UTILITY COMMISSION
FILING CLERK

COMMISSION STAFF'S RECOMMENDATION THAT APPLICATION BE APPROVED

Comes now the staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files this response to Order No. 2. In support thereof, Staff would show the following:

I. BACKGROUND

On July 27, 2016, Paula Weber (Weber), temporary manager of West Oaks Phoenix Corporation (West Oaks) filed with the Public Utility Commission of Texas (Commission) an application for a rate/tariff change pursuant to Texas Water Code § 13.046 and 16 Tex. Admin. Code § 24.147 (TAC). The effective date of the proposed rate change is immediately. Weber stated notice will be provided to West Oaks' 18 customers on July 27, 2016.

On August 29, 2016, the Administrative Law Judge issued Order No. 2, adopting a procedural schedule that requires Staff to file a recommendation on final disposition or request a hearing on the merits on or before September 23, 2016. Therefore, this pleading is timely filed.

II. STAFF RECOMMENDATION

As detailed in the attached memorandum of Janie Kohl and Elisabeth English, both in the Water Utilities Division, Staff has reviewed the application and supplemental documents. Staff recommends that the proposed temporary monthly base rate of \$61.50 including 1,000 gallons, plus a volumetric charge of \$5.00 per 1,000 gallons thereafter, for West Oaks be approved. Staff also recommends that temporary rates remain in effect while a temporary manager or receiver is in place and until such time as the water system is sold and a Sale, Transfer, Merger application is approved.

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III. CONCLUSION

For the reasons stated above, Staff recommends that the application be approved. Staff will work with parties to file a motion to admit evidence and a joint proposed notice of approval by the September 30, 2016 deadline.

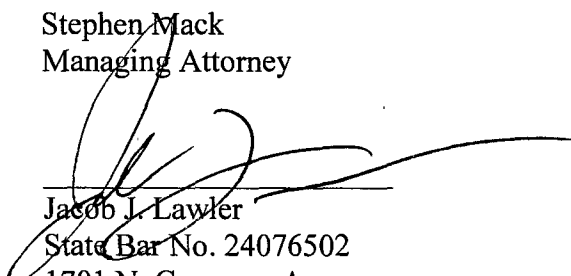
Date: September 23, 2016

Respectfully Submitted,

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

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Division Director

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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.



Jacob J. Lawler

PUC Interoffice Memorandum

To: Jacob Lawler
Legal Division

Thru: Tammy Benter, Division Director
Debi Loockerman, Financial Manager
Heidi Graham, Engineering Manager
Water Utilities Division

From: Janie Kohl, Financial Analyst
Elisabeth English, Engineering Specialist
Water Utilities Division

Date: September 22, 2016

Subject: **Docket No. 46219**, *Application of West Oaks Phoenix Corporation for Temporary Rates for Services Provided for a Nonfunctioning Utility*

On July 27, 2016, Ms. Paula Weber (Weber), Temporary Manager of West Oaks Phoenix Corporation (West Oaks), filed an application with the Public Utility Commission (Commission) to request the approval of a temporary rate increase on behalf of West Oaks to assure sufficient funds to keep the water utility operating properly and within regulatory requirements. This application is being reviewed under Tex. Water Code § 13.046 (TWC) and 16 Tex. Admin. Code § 24.147(TAC).

Weber was appointed Temporary Manager by the Texas Commission on Environmental Quality (TCEQ) via an Emergency Order issued on June 30th, 2016 (Docket No. 2016-0997-UCR-E). The order was effective immediately and authorized Weber to bill for retail water service, including a \$12 per customer charge. West Oaks has an approved base rate of \$30, which includes 1,000 gallons, and a volumetric charge of \$5 per 1,000 gallons, thereafter. However, West Oaks was previously being operated under a Receivership, under which temporary rates were being charged pursuant to the tariff. The previous temporary rate was a base rate of \$48.08, with 1,000 gallons included, plus a volumetric charge of \$5 per 1000 gallons thereafter and a surcharge of \$14.35. The temporary rate was issued to West Oaks under the request of the former Receiver; therefore, Weber has requested temporary rates for West Oaks applicable to her appointment.

Our review of the 2016 budget for West Oaks, the proposed base rate of \$61.50 including 1,000 gallons, a volumetric charge of \$5 per 1000 gallons thereafter for 18 customers for the next year noted the following:

- As presented, the 2016 Budgeted Revenues of \$6,984 are based on the prior approved \$30.00 base rate per customer, and a volumetric charge of \$5 per 1,000 gallons. However, the 2016 Budgeted Revenues should be calculated using the proposed temporary rate increase.
 - The correct calculations for the monthly rate result in projected fixed revenues of \$13,284. The volumetric charge of \$5 per 1,000 gallons will result in additional projected variable revenues of \$2,160 based on 3,000 gallons of approximate

usage per customer per month. This results in total projected revenues of \$15,444.

- The expired temporary rate issued to West Oaks on behalf of the previous Receiver would have resulted in projected fixed revenues of \$13,484. The volumetric charge of \$5 per 1,000 gallons would have resulted in additional projected variable revenues of \$2,160 based on 3,000 gallons of approximate usage per customer. This would have resulted in total projected revenues of \$15,644.

- Weber is requesting temporary rates that produce fixed revenues of \$13,284, which would be insufficient to cover \$13,802 in estimated operating expenses. The proposed variable rate would produce \$2,160, which results in total projected expenses of \$15,444. This total closely ties to prior year total expenses based on the previously approved temporary rates.
- Projected costs included transmission expenses of \$3,425 and distribution expenses of \$10,377 which results in a total operating expense of \$13,802. Additionally, the repairs and maintenance expense estimate for six leaks, installation of dead end flush valves, and replacement of two meters is a projected need which may not fully materialize. The fact that expenses are estimates further supports Weber's decision to propose a raise in costs only to \$61.50 instead of \$63.90.
- The temporary rate shall remain in place for West Oaks during continued appointment of a Temporary Manager or once a Receiver is ordered. If the emergency order expires without the appointment of a Receiver or a Temporary Manager, the approved rate of base rate of \$30, including 1,000 gallons, and a volumetric charge of \$5 per 1000 gallons thereafter shall be charged pursuant to the tariff.

The expenses appear reasonable and necessary for a utility of this size and type, although they are estimated and may vary in the next year. The application meets the aforementioned criteria which allows West Oaks to charge a reasonable rate immediately for services provided to a nonfunctioning system's customers and to bill customers for services at a rate sufficient to recover service costs. Therefore, Staff recommends that the proposed temporary monthly base rate of \$61.50 including 1,000 gallons, plus a volumetric charge of \$5.00 per 1,000 gallons thereafter for West Oaks be approved. We also recommend that temporary rates remain in effect while a Temporary Manager or Receiver is in place and until such time as the water utility is sold and a Sale, Transfer, Merger application is approved.