



Control Number: 46245



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COMMISSIONER MEMORANDUM

MEETING DATE: August 29, 2019

DATE DELIVERED: August 28, 2019

AGENDA ITEM NO.: 30

CAPTION: *Docket No. 46245; SOAH Docket No. 473-17-0119.WS – Application of Double Diamond Utility Company, Inc. for Water and Sewer Rate/Tariff Change*

DESCRIPTION: Commissioner Memoranda

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Public Utility Commission of Texas

TO: Chairman DeAnn T. Walker
Commissioner Arthur C. D'Andrea
Commissioner Shelly Botkin

All Parties of Record (*via electronic transmission*)

FROM: Shelah Cisneros 
Commission Advising

RE: *Application of Double Diamond Utility Company, Inc. for Water and Sewer Rate/Tariff Change, Docket No. 46245, SOAH Docket No. 473-17-0119.WS, August 29, 2019 Open Meeting, Item No. 30.*

DATE: August 28, 2019

Please find enclosed a memorandum by Chairman Walker regarding the above-referenced docket. No other commissioner will file a memorandum in this docket.

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Public Utility Commission of Texas

Memorandum

TO: Commissioner Arthur C. D'Andrea
Commissioner Shelly Botkin

FROM: Chairman DeAnn T. Walker *DTW*

DATE: August 28, 2019

RE: Open Meeting of August 29, 2019 – Agenda Item No. 30
Docket No. 46245; SOAH Docket No. 473-17-0119.WS – *Application of Double Diamond Utility Company, Inc. for Water and Sewer Rate/Tariff Change*

The Commission previously granted rehearing, in part, to improve the order by elaborating on the rationale for certain decisions, and by identifying specific amounts for certain disallowances, rate of return components, and amounts related to Double Diamond Utilities' revenue requirement. I have been informed that before the order on rehearing can be completed, three issues remain to be decided. Further, two issues from my previous memorandum filed on November 7, 2018, are still outstanding.

First, I remain in agreement with the White Bluff Ratepayers Group regarding how refunds and surcharges in this docket will be calculated and tracked. I continue to recommend opening a compliance docket to manage this process.

Second, I remain in agreement with Double Diamond Utilities that the order of the Commission and Double Diamond Utilities' approved tariffs did not treat its grinder-pump costs consistent with the Commission's decision on that issue. Thus, the order needs to be corrected to properly reflect the decision on that issue.

Third, the original order reflected the Commission's decision to permit recovery of depreciation expense on developer-contributed assets at White Bluff in accordance with Texas Water Code § 13.185(j). However, the original order did not specify the appropriate amount for this specific issue. The record evidence supports a finding that the original cost for developer-contributed assets for White Bluff water is \$429,978 and the net book value is \$209,877, resulting in accumulated depreciation of \$220,101.¹ The record evidence also supports a finding that the original cost for developer-contributed assets for White Bluff sewer is \$97,380 and the net book value is \$55,780, resulting in accumulated depreciation of \$41,600.² I recommend that the Commission set forth these decisions in the order on rehearing.

¹ Ex. WBRG-1 at WBRG000022 through WBRG000023.

² Ex. WBRG-1 at WBRG000022 through WBRG000023.

Fourth, the original order reflected the Commission's decision to affirm the proposal for decision regarding the *net book value* of assets that should remain in Double Diamond Utilities' rate base as invested capital. The original order reflected the Commission's decision that \$68,355.48 should remain in rate base for White Bluff water and \$24,029.64 for White Bluff sewer. A Commission decision on the *original cost* for the applicable assets will facilitate an accurate number run. The record evidence supports a finding that the original cost for the applicable White Bluff water assets is \$71,367.48 and the original cost for the applicable White Bluff sewer assets is \$25,624.64.³ I recommend that the Commission make these decisions in the order on rehearing.

Fifth, the original order reflected the Commission's decision to disallow \$20,800 for the salary of Jerry Whitworth. However, the revised number run filed by the Commission Staff on October 31, 2018 did not reflect this disallowance. To facilitate finalizing a number run, the Commission should determine the proper allocation of this amount between White Bluff water and White Bluff sewer. The utility proposed allocation of salary costs based on a 50-50 split between White Bluff water and White Bluff sewer; therefore, a finding to allocate the removal of this expense 50-50 between White Bluff water and White Bluff sewer is appropriate.⁴ I recommend that the Commission make this decision in the order on rehearing.

As stated previously, the Commission's order should be improved by elaborating on the rationale for certain decisions, and by identifying specific amounts for certain disallowances, rate of return components, and amounts related to Double Diamond Utilities' revenue requirement. Additionally, there will be attendant revenue requirement components that require updating to conform with the Commission's determinations detailed above. I recommend delegating to the Office of Policy and Docket Management authority to order Commission Staff to file a revised number run to conform with these decisions on rehearing.

I look forward to discussing this matter with you at the open meeting.

³ Ex. WBRG-1 at WBRG000022 through WBRG000023.

⁴ Proposal for Decision at 8.