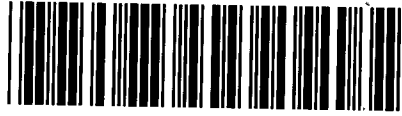


Control Number: 46438



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APPLICATION OF J&S WATER §
COMPANY, LLC FOR A RATE/TARIFF §
CHANGE §

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**COMMISSION STAFF'S
RECOMMENDATION ON ADMINISTRATIVE COMPLETENESS**

Commission Staff (Staff) of the Public Utility Commission of Texas (Commission) files its Recommendation on Administrative Completeness. In support of its Recommendation on Administrative Completeness, Staff states the following:

I. Background

J&S Water Company, LLC (J&S Water) serves less than ten thousand (10,000) connections and thus are Class B utilities under the Texas Water Code.¹ J&S Water initiated this proceeding for Commission approval of a proposed increase in its water rates and sewer rates. J&S Water requests a cumulative increase of \$233,932 or a 28.06% increase in its current revenue requirement for water service and sewer service. J&S Water proposes January 1, 2017 as the effective.

On November 29, 2016, the Administrative Law Judge issued Order No. 1, which requires Staff to file comments on how to proceed with this case by December 20, 2016 and a recommendation on the administrative completeness of J&S Water's application and proposed notice by December 23, 2016. Staff's Recommendation on Administrative Completeness is intended to address both filings.

¹ See Tex. Water Code § 13.002(4-b) (defining a "Class B utility" as "a public utility that provides retail water or sewer utility service through 500 or more taps or connections but fewer than 10,000 taps or connections."); Tex. Water Code § 13.002(23) (defining a "public utility" as any person, corporation, cooperative corporation, affected county, or any combination of these persons or entities, other than a municipal corporation, water supply or sewer service corporation, or a political subdivision of the state, except an affected county, or their lessees, trustees, and receivers, owning or operating for compensation in this state equipment or facilities for the transmission, storage, distribution, sale, or provision of potable water to the public or for the resale of potable water to the public for any use or for the collection, transportation, treatment, or disposal of sewage or other operation of a sewage disposal service for the public . . .").

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III. Staff's Recommendation

A. J&S Water's application is not administratively complete

Staff has reviewed J&S Water's application and accompanying documents, and Staff recommends that the Commission deem the application not administratively complete.² Staff has identified the following deficiencies in the application:

- a. Schedule II-6 (Payroll Cost Allocation): All elements of Schedule II-6 were not provided. Schedule II-6 must be provided for the test year period, per employee.
- b. Schedule II-7 (Materials): The listed known and measurable changes were not justified or explained. J&S Water must provide justification and explanations for known and measurable changes noted on Schedule II-7.
- c. Schedule III-1 (Requested Return): J&S Water incorrectly calculated the return as 10.18% instead of 10.15%. J&S Water must provide a correct calculation.

B. J&S Water's notice is deficient

Staff has reviewed J&S Water's proposed notice, and Staff recommends that the Commission deem the notice deficient. Staff has identified the following deficiencies:

- a. The proposed gallonage rates for water service for the Five Oaks, Maple Gardens, and Oakland Village subdivisions are incorrect. The proposed gallonage rates for water service for these subdivisions should be:

5,000 gallons:	\$31.38
10,000 gallons:	\$38.88
30,000 gallons:	\$68.88

J&S Water's proposed gallonage rates for water service for these subdivisions are incorrect. J&S Water should either correct the proposed gallonage rates for these subdivisions consistent with the gallonage rates above or provide calculations that support its proposed gallonage rates for water service.

- b. Based on the proposed rates, the combined, annual revenue requirement increase for water service and sewer service should be \$85,451. J&S Water's listed revenue requirement of \$233,932 is incorrect because that amount represents the difference in J&S Water's requested

² Staff's recommendation is based on the attached memorandum from the Water Utilities Division.

revenue requirement and J&S Water's revenue requirement produced by current rates. The revenue requirement increase should be the difference in revenue when comparing J&S Water's current water rates and sewer rates and J&S Water's proposed water rates and sewer rates.

c. The pass-through gallonage charge for the North Harris County Regional Water Authority's pumpage fee is incorrect. The Commission-approved pass-through gallonage charge is \$2.06 per 1,000 gallons. J&S Water's notice must contain this Commission-approved pass-through gallonage charge. In the event that J&S Water seeks Commission approval of an increase in its current Commission-approved pass-through charge, J&S Water must provide documentation that supports the requested increase.

C. J&S Water should be given an opportunity to cure Staff's identified deficiencies

Because Staff recommends that J&S Water's application and notice be deemed not administratively complete, Staff defers its comments on how this case should be processed and Staff defers proposing a procedural schedule. Staff recommends that J&S Water be given an opportunity to cure the deficiencies identified by Staff. Staff recommends that J&S Water be given until January 6, 2017 to amend its application and notice to cure these identified deficiencies. Staff will then review the amended application and notice for administrative completeness by January 20, 2017. In the event that Staff recommends that the Commission deem J&S Water's amended application and notice to be administratively complete, Staff will propose a procedural schedule or file comments on how to proceed with this case.

Given that J&S Water must provide notice of its proposed rate change at least thirty-five (35) days before its proposed effective date, Staff also recommends that the Commission modify J&S Water's proposed January 1, 2017 effective date to a later time, to be determined after J&S Water's application and notice are deemed administratively complete.

III. Conclusion

J&S Water's application and notice are not administratively complete. Staff recommends that J&S Water be given an opportunity to cure the deficiencies identified by Staff.

Date: December 20, 2016

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton,
Division Director
Legal Division

Stephen Mack
Managing Attorney
Legal Division

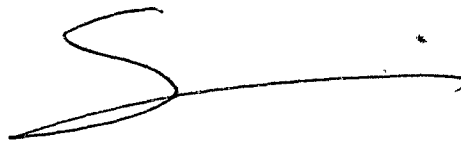


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DOCKET NO. 46438

CERTIFICATE OF SERVICE

I certify that a copy of this document was served on all parties of record on December 20, 2016, in accordance with 16 TAC § 22.74.



Sam Chang

PUC Interoffice Memorandum

To: Sam Chang, Attorney
Landon Lil, Attorney
Legal Division

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

From: Janie Kohl, Financial Analyst
Jonathan Ramirez, Financial Analyst
Andrew Novak, Rates Analyst
Ricardo Herrera, Engineering Specialist
Water Utilities Division

Date: December 13, 2016

Subject: **Docket No. 46438**, *Application of J&S Water Company, LLC for A Rate/Tariff Change*

On November 29, 2016, J&S Water Company, LLC, (Applicant) filed an application with the Public Utilities Commission (PUC) for a rate/tariff change under Certificate of Convenience and Necessity (CCN) Nos. 12085 and 20658 in Harris, Chambers, and Liberty Counties. An administrative review of the application and notice has been made pursuant to Texas Water Code §§ 13.13871 (TWC) and 16 Tex. Admin. Code (TAC) §§ 24.21 through 24.26.

Order number one requested staff review the proposed rate change application and proposed notice for completeness by December 23, 2016. After an initial administrative review of the application, PUC Staff have noted deficiencies with the notice and application and made the following recommendations to cure these deficiencies:

1. The "Notice of Proposed Rate Change" to the affected customers did not include correct calculations in the billing comparison between current and proposed rates. Staff reviewed the notice and found that the **proposed water billing comparison calculations** did not reflect the numbers calculated by Staff based on the applicant's proposed rates. The bill produced by the proposed rate in the water billing comparison is believed to be incorrect, however, the bill produced by the current water rate, current sewer rate, and proposed sewer rate in the billing comparisons are correct. The bill produced by the proposed water rates for gallonage usage listed should read:
 - a. Proposed Water Billing Comparison (Five Oaks, Maple Gardens & Oakland Village Subdivisions):
 - i. Proposed 5,000 Gallons: \$31.38
 - ii. Proposed 10,000 Gallons: \$38.88
 - iii. Proposed 30,000 Gallons: \$68.88

- b. Annual Revenue Increase should read \$85,451 based on the proposed rates. The Applicant based their annual revenue increase on the notice from Schedule I-1 of the Class B Rate/Tariff Change Application, which is the difference in revenue requirement **IF** the proposed rate produce the total revenue that the utility says is justified (*Total Revenue Requirement minus Total Expenses for water & sewer*). However, the proposed rate produce revenues below the utility's claimed total revenue requirements of \$233,932. Therefore, the notice should reflect the change in revenue produced by the current rates to the revenue produced by the proposed rates for both water & sewer rather than the difference in the utility's claimed total revenue requirement and the revenue requirement produced by the current rates.
 - c. The pass-through gallonage charged listed on the notice is incorrect for J&S Water Company, LLC. The currently approved pass-through gallonage charge is \$2.06 per 1,000 gallons for the North Harris County Regional Water Authority's (NHCRWA) ground water pumpage fee. Therefore, Staff recommends that J&S Water Company, LLC, re-notice customers with the correct, commission approved pass through of \$2.06 in the "Gallonage Charge" section of the proposed rate change. The Applicant must also provide documentation showing an increase in the fee by NHCRWA and other documentation required for a pass-through application, if requesting a change in the pass-through rate with appropriate notice in this application.
2. The application contained incomplete or incorrect schedules as noted below. Staff recommend the Applicant be ordered to file with the Commission copies of the following completed schedules in native excel format:
- a. Schedule II-6 – Payroll Cost Allocation:
All elements of Schedule II-6 were not provided. Schedule II-6 must be provided for the test year period, per employee. This can be filed confidentially:
 - b. Schedule II-7 – Materials:
Known and measurable changes were not justified or explained. Provide justification and explanations for known and measurable changes noted on Schedule II-7. (See page 20 & 70 of 84 in item no. 1.)
 - c. Schedule III-1 – Requested Return:
Calculation appears incorrect as 10.18% instead of 10.15%. Please correct supporting numbers or final calculation.

Therefore, Staff recommends the following:

1. the notice and rate change application be deemed insufficient for filing;
2. the effective date of all proposed rates be suspended (current proposed effective date of January 1, 2017,) until proper notice is provided to all affected customers and the application has been completed;
3. the Applicant be ordered to provide correct notice with a new effective date to the affected customers, offices of affected municipalities, and OPUC by mail or e-mail at least 35 days before the new effective date of the proposed change pursuant to §§ 24.22 (d)(1);
4. the Applicant file with the Commission copies of the revised notice of the proposed rate increase and an affidavit that the revised notice was provided to the affected customers, municipalities, and OPUC,

5. the Applicant be ordered to cure the incomplete or inaccurate rate application schedules noted above and file the corrected schedules with the Commission,
6. the applicant provide documentation from North Harris County Regional Water Authority regarding the increase in ground pumpage fee for the Five Oaks, Maple Leaf Gardens and Oakland Village subdivisions, and,
7. the applicant provide line loss calculations, as well as documentation providing water pumped and water sold for the test year provided in the rate application for the requested increase in the pass-through charges.