



Control Number: 46553



Item Number: 12

Addendum StartPage: 0

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APPLICATION OF CARROLL WATER §
COMPANY, INC. FOR AUTHORITY TO §
CHANGE RATES §

2017 APR 14 AM 10:15
PUBLIC UTILITY COMMISSION
OF TEXAS
PUBLIC UTILITY COMMISSION
CLERK

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

Comes now the Staff ("Staff") of the Public Utility Commission of Texas ("Commission"), representing the public interest, and files this Supplemental Recommendation on Administrative Completeness. In support thereof, Staff shows the following:

I. Background

On November 8, 2016, Carroll Water Co., Inc. ("Applicant") filed its original application for a Class B Rate/Tariff Change. The Applicant provides service under Certificate of Convenience and Necessity No. 11543 in Ellis County, Texas.

On March 22, 2017, the Administrative Law Judge ("ALJ") issued Order No. 4, acknowledging receipt of Applicant's revised application and requiring Staff to file a recommendation on the administrative completeness of the revised application by April 14, 2017. Therefore, this pleading is timely filed.

II. Recommendation on Administrative Completeness

Staff has reviewed the revised application, and as detailed in the attached memorandum from Fred Bednarski III and Gregory Charles of the Water Utility Regulation Division, Staff recommends the application remains deficient and should be dismissed without prejudice pursuant to 16 Tex. Admin. Code § 181(d)(7) for failure to amend an application such that it is sufficient after repeated determinations that the application is insufficient. On December 9, 2016, in Order No. 2, the Commission ALJ found the application deficient and incomplete. In response, Applicant filed supplemental information on January 26, 2017. In Order No. 3, issued February 17, 2017, the ALJ for a second time deemed the application deficient and incomplete. To address the deficiencies identified by Order No. 3, on March 17, 2017, the Applicant filed a revised application. Staff has reviewed the revised application and has concluded that it still contains

12

several material errors and inconsistencies. These deficiencies are detailed in numbered paragraphs 1 through 7 of the attached memo.

If the ALJ decides to allow the Applicant additional time to cure the deficiencies in its application, Staff notes that the corrections to the application would be extensive and may require more time than typically allowed for supplementing a rate application to meet sufficiency requirements.

III. Proposed Procedural Schedule

Staff proposes that the applicant be allowed until May 5, 2017 to respond to Staff's recommendation if the ALJ adopts Staff's recommendation to dismiss the application.

IV. Conclusion

Staff respectfully requests entry of an order consistent with the above recommendation.

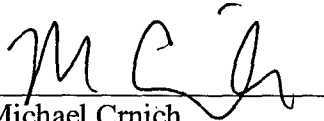
Dated: April 14, 2017

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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**DOCKET NO. 46553
CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on April 14, 2017, in accordance with 16 TAC § 22.74.



Michael Crnich

Public Utility Commission of Texas

Memorandum

TO: Michael Crnich, Attorney
Legal Division

THRU: Debi Loockerman, Financial Manager
Water Utility Regulation

FROM: Fred Bednarski III, Financial Examiner
Greg Charles, Staff Engineer
Water Utility Regulation

DATE: April 14, 2017

SUBJECT: *Docket No. 46553, Application of Carroll Water Company, Inc. for Authority to Change Rates*

On November 8, 2016, Carroll Water Company Inc., (Carroll Water or Applicant), water Certificate of Convenience and Necessity (CCN) No. 11543, filed an application with the Public Utility Commission of Texas (Commission) for a water rate/tariff change in Ellis County, Texas. An administrative review of this application is now being made pursuant to Texas Water Code §§ 13.1871 (TWC) and 16 Tex. Admin. Code §§ 24.8 and 24.22 (TAC). Carroll Water currently provides retail water utility service through public water system (PWS) #0700064 (Spanish Grant), #0700058 (Emerald Forest), #0700063 (Grande Casa Ranchitos), #0700057 (Lakeview Ranchettes Estates), and #07000056 (Red Oak Community Water Service) to approximately 554 connections.

On January 26 and 30, 2017, as well as March 17, 2017, Carroll Water supplemented their application. Staff has reviewed the supplemental filings and found the application contains several material errors and inconsistencies as listed below:

1. The Applicant indicated, "I was informed that we did not need to file another application because we do not have 2016 information available which is the most recent year." However, per PUC rule 16 TAC § 24.3(72), a valid test year is the most recent 12-month period, beginning on the first day of a calendar or fiscal year quarter, for which operating data for a retail public utility are available. The application test year does not appear to meet this rule, and Staff recommends that the Commission require the Applicant to use a test year that complies with the rule.
2. Applicant included known and measurable payroll expenditures on Schedule I-1; however, these amounts were not included on the supporting Schedule II-6 nor was an explanation for the known or measurable changes provided. Staff also noted the Adjusted year amounts reported in Column F of Schedule I-1 for Employee Labor and Office Salaries were not accurate when adding the Column D amount (Historical Test Year) and the Column E amount (K&M Changes).
3. Known and measurable change explanation for Other Volume Related Expenses was not provided on Schedule II-5.

Public Utility Commission of Texas

Memorandum

4. Reasons for Test year expenses that were higher than the previous years were not provided on Schedule II-9 Transportation, Schedule II-14 Office supplies and expenses, and Schedule II-16 Insurance.
5. Based on the applicant's recent response in #3 of item 10 on page 2 of 63 of this application, Schedule II-18 appears to contain the 1% TCEQ regulatory expenses of \$2,465 as well as Groundwater Pass thru fees to Prairieland Groundwater Conservation District of \$4,148 and \$5,311. These costs should not be included as part of the revenue requirement. These costs are and were approved to be recovered on Carroll Water's tariff via the 1% regulatory assessment fee and the Prairielands Groundwater Conservation district water production fee of \$0.24 per 1,000 gallons.
6. The Applicant did not request return on equity on Schedule III-1, which affects the total cost of service on Schedule I-1. The Staff will most likely have adjustments to the application which will affect the cost of service, and ignoring the rate of return will be unreasonable if the Staff's adjustments significantly lower the cost of service.
7. The Applicant is requesting an Estimated Tax amount of \$7,240 on Schedule IV(a) as part of their revenue requirement; however, no explanation or calculation was provided.

Because of the extensive nature of the deficiencies, Staff recommends that the Commission dismiss the application. Alternatively, if the Commission decides to allow the Applicant additional time to supplement or amend its application, Staff advises the Commission that the corrections to the application are extensive and may require more time than typically allowed for a completed rate application to be supplemented to meet sufficiency requirements.