



Control Number: 46556



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**PUC DOCKET NO. 46556  
SOAH DOCKET NO. 473-18-1394.WS**

**APPLICATION OF RIVERSIDE  
WASTEWATER TREATMENT  
PLANT FOR AUTHORITY TO  
CHANGE RATES**

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

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**COMMISSION STAFF'S MOTION TO ADMIT EVIDENCE AND SUGGESTED  
CORRECTIONS TO THE PROPOSED ORDER**

COMES NOW the Commission Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest and files Commission Staff's Motion to Admit Evidence and Suggested Corrections to the Proposed Order. In support thereof, Staff shows the following:

**I. Background**

On November 9, 2016, Riverside Wastewater Treatment Plant<sup>1</sup> (Riverside) filed an application requesting authority for water rate and tariff changes in Brazos County, Texas. The application proposes to increase Riverside's sewer rates for Certificate of Convenience and Necessity (CCN) No. 20740.

On May 4, 2018, a Proposed Order was issued along with a cover memorandum requesting corrections or exceptions to be filed by May 8, 2018. Upon reviewing the proposed order, Staff discovered an error<sup>2</sup> in Staff's memorandum in support of the stipulation, filed March 19, 2018. Staff also identified some suggested corrections to the proposed order, which are now timely filed.

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<sup>1</sup> The tariff filed on March 29, 2018 has Riverside's name listed as *Syed Hyder dba Riverside Wastewater Treatment Plant*. The proposed order memo issued on May 4, 2018 pointed out that the business records at the Texas Secretary of State include a certificate of formation of Riverside Wastewater Treatment Plant, LLC. Staff has reviewed its CCN records and notes that when Riverside first applied for a CCN with the TCEQ in 2001, it applied as *Syed Hyder dba Riverside Wastewater Treatment Plant*. Staff has reviewed the Texas Secretary of State website and found that Riverside first applied for and was granted its LLC in 2013. However, Riverside did not file a name change application with the TCEQ or the Commission subsequent to 2013. Staff also noted that the "dba" notation was standard practice at the TCEQ to identify individuals doing business under an assumed name. If directed by the Commission, Staff would be happy to help Riverside file a name change application so that the name in Staff's database matches with the Secretary of State's records.

<sup>2</sup> Staff notes that even though this error changes Staff's recommended revenue requirement, the error does not affect the outcome of the settlement, as the settled proposed rate of \$52.00 per connection remains the same.

## **II. Motion to Admit Evidence**

Staff and Riverside respectfully requests that the following evidence be admitted into the record of this proceeding for the purpose of supporting a Commission order approving the proposed settlement:

- a. Amended Application of Riverside for a Class B Rate/Tariff Change, filed on February 1, 2017;
- b. Letter of Response to PUC Order No. 3, filed on March 31, 2017;
- c. The amended memorandum of Andrew Novak of the Commission's Water Utilities Division in support of the stipulation, filed May 8, 2018.

## **III. Corrections**

Staff respectfully requests edits to findings of fact numbers 4, 10, 47, and 48.

### Finding of Fact 4

Commission Staff recommends that finding of fact number 4 be changed to accurately reflect the percentage increase between what the Applicant originally requested and the Applicant's original test year.

The Applicant's original historical 2014 test year reflected a revenue requirement of \$148,851.<sup>3</sup> The Applicant requested a revenue requirement of \$178,181.<sup>4</sup> The difference between \$178,181 and \$148,851 is \$29,330. This reflects a 19.70% increase in the revenue requirement. Staff therefore proposes the following edit:

On November 9, 2016, Riverside filed an application requesting authority to increase its rate for sewer service and change its tariff. The application requests an increase in Riverside's revenue requirement of \$29,330 ~~149,901~~, a ~~530~~ 19.70% increase, based on a test year ending December 31, 2014. The application

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<sup>3</sup> Application of Riverside Wastewater Treatment Plant for Authority to Change Rates at 6, line 28 (Nov. 9, 2016).

<sup>4</sup> *Id.* at line 32.

requested an increase in rates from \$20.20 per month to \$78.04 per month but did not include a proposed effective date.

Please note that if the intent of this finding of fact was to discuss the change revenues produced by the current tariffed rate and the proposed new rates, then the difference in revenues would be \$89,716. This would be calculated by subtracting historical test year revenues of \$28,280<sup>5</sup> from \$117,996. The amount of \$117,996 is the revenue generated by the proposed new rates, and is calculated by multiplying \$78.04 by 12 months multiplied by 126 connections. The amount of \$28,280 is the revenue generated by the current tariffed rate. This is an increase of 317%.

#### Finding of Fact 10

Commission Staff recommends that finding of fact 10 be changed to accurately reflect the percentage increase between what the Applicant requested on February 1, 2017 and the Applicant's 2015 test year.

The Applicant's 2015 historical test year reflected a revenue requirement of \$126,210.<sup>6</sup> The Applicant requested a revenue requirement of \$154,013.<sup>7</sup> The difference between \$154,013 and \$126,210 is \$27,803. This reflects a 22.03% increase in the revenue requirement. Staff therefore proposes the following edit:

On February 1, 2017, Riverside filed an update to its application, including changing its test year to the 2015 calendar year and amending several schedules.

The update requested an increase in rates to \$74.16 based on an increase in revenue requirement of \$27,803 ~~133,600~~, a 22.03 ~~654~~% increase. The update did not include an effective date for the proposed rate.

Please note that if the intent of this finding of fact was to discuss the change revenues produced by the current tariffed rate and the February 1<sup>st</sup> application's proposed new rates, then the

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<sup>5</sup> Application of Riverside Wastewater Treatment Plant for Authority to Change Rates at 6, line 29 (Nov. 9, 2016).

<sup>6</sup> Riverside's Updated Rate Application at 6, line 28 (Feb. 1, 2017).

<sup>7</sup> *Id.* at line 32.

difference in revenues would be \$91,718. This would be calculated by subtracting historical test year revenues of \$20,412<sup>8</sup> from \$112,130. The amount of \$112,130 is the revenue generated by the proposed new rates, and is calculated by multiplying \$74.16 by 12 months multiplied by 126 connections. The amount of \$20,412 is the revenue generated by the current tarified rate. This is an increase of 449%.

#### Finding of Fact 47

Staff recommends that finding of fact number 47 remove the mention of \$133,600.92 because it is not reflective of the fixed cost. Rather, \$133,600.92<sup>9</sup> is the applicant's calculated revenue increase which was used to calculate the proposed rate.

Riverside's annual revenue requirement is \$154,013, ~~including fixed costs totaling \$133,600.92.~~

#### Finding of Fact 48

Staff recommends that finding of fact number 48 be updated to reflect Staff's corrected recommended total annual revenue requirement, as reflected in the amended memorandum of Andrew Novak of the Commission's Water Utility Regulation Division, filed May 8, 2018. The correct number should be \$147,492.

Commission Staff's recommended adjustments result in a recommended total annual revenue requirement of ~~\$167,701~~ \$147,492.

Staff is authorized to represent that Staff has conferred with Riverside, and Riverside is not opposed to these corrections.

## **IV. Conclusion**

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<sup>8</sup> *Id.* at line 29.

<sup>9</sup> Riverside's Updated Rate Application at 47, line 1 and at 6, line 33 (Feb. 1, 2017).

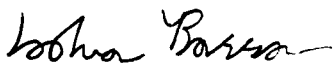
For the reasons stated above, Staff respectfully requests that the Commission admit additional evidence in support of the stipulation, and respectfully offers the above corrections.

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

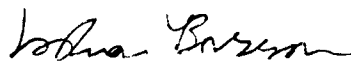
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### **CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on May 8, 2018 in accordance with the requirements of 16 Tex. Admin. Code § 22.74.

A handwritten signature in black ink, appearing to read "Joshua Barron", is written over a horizontal line.

Joshua Adam Barron

# **Public Utility Commission of Texas**

## **Memorandum**

**TO:** Joshua Barron, Attorney  
Legal Division

**THRU:** Heidi Graham, Manager  
Debi Loockerman, Manager  
Water Utility Regulation

**FROM:** Andrew Novak, Financial Analyst  
Patricia Garcia, Engineering Specialist  
Water Utility Regulation

**DATE:** March 1, 2018

**SUBJECT:** **Docket No. 46556**, *Application of Riverside Waste Water Treatment Plant for Authority to Change Rates*

### **Background**

On November 9, 2016, Riverside Waste Water Treatment Plant (Riverside, or Applicant) filed an application with the Public Utility Commission of Texas (Commission) for a rate/tariff change affecting sewer Certificate of Convenience and Necessity (CCN) No. 20740 in Brazos County. 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.

### **Staff Recommendation**

Staff recommends approval of the application and the new tariff with revisions based on the stipulated revenue requirement and rates. Staff recommends that Riverside be allowed to charge its customers a flat rate of \$52.00 per connection per month.

### **Revenue Requirement**

The rates requested by the Applicant produce estimated total revenues of \$78,624. Staff adjustments create a recommended total cost of service of ~~\$167,701~~ \$147,492, therefore Staff's recommended cost of service is higher than the Applicant's requested revenues produced by the proposed rates. The revenue requirement produced by the stipulated rates is based on the staff review completed as of February 2018. Staff believes that the revenue requirement produced by the stipulated rates is within a reasonable range of the revenue requirement that may result from a full evidentiary proceeding.



The proposed rates are limited by the rates noticed to the customers in this case. Therefore, Staff is satisfied that the Applicant's proposed rates are reasonable and necessary to provide sewer service, and reasonably cover the level of the cost of service.

#### **Plant in Service**

The Applicant claims an original cost of \$311,162, annual depreciation of ~~\$27,651~~ \$27,061, accumulated depreciation of ~~\$60,866~~ \$60,911 and the total net book value of existing facilities of ~~\$250,296~~ \$250,251. Staff made no adjustments to the Applicant's plant in service.

#### **Return on Invested Capital**

16 TAC § 24.31(c)(1) requires that the return should be reasonably sufficient to assure confidence in the financial soundness of the utility and that the Commission shall consider the efforts and achievements of the utility in the conservation of resources and the quality of the utility's services. Staff recommends that the Commission find that the overall return produced by the stipulated rates meets the requirements of 16 TAC § 24.31(c)(1).

#### **Rate Design**

TWC § 13.182 requires that rates be just and reasonable and that they are sufficient, equitable, and consistent with respect to each class of customers. Based on the stipulated revenue requirement of ~~\$167,701~~ \$147,492, a total of 126 connections, Staff finds that the \$52.00 per connection per month proposed by Riverside is reasonable.

#### **Conclusion**

Staff believes that the stipulated rates are just and reasonable and based on a cost of service that is necessary to provide sewer service to the customers of Riverside. Therefore, Staff recommends that the Commission approve the stipulated rates and provisions as listed in the recommendation above.