



Control Number: 46674



Item Number: 237

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APPLICATION OF SUBURBAN
UTILITY COMPANY, INC. FOR
RATE/TARIFF CHANGE

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COMMISSION STAFF'S COMMENTS

Commission Staff (Staff) of the Public Utility Commission of Texas (Commission) files its Comments. In support of its Comments, Staff states the following:

I. Background

Suburban Utility Company, Inc. (Suburban Utility) serves less than ten thousand (10,000) connections and thus is a Class B utility under the Texas Water Code.¹

On December 29, 2016, Suburban Utility initiated this proceeding for Commission approval of a proposed increase in its water rates for its Cypress Bend, Beaumont Place, and Reservoir Acres subdivisions. In sum, Suburban Utility seeks an increase of \$121,834 in its revenue requirement, with the total revenue requirement being \$598,716. Suburban Utility proposes February 3, 2017 as the effective date. As part of its filing, Suburban Utility submitted an affidavit regarding notice of its rate increases. Suburban Utility provided to its customers a notice of its rate increases on December 28, 2016.

On January 12, 2017, the Administrative Law Judge issued Order No. 2, which requires Staff to file comments on Suburban Utility's application by January 30, 2017. Staff's Comments are timely filed.

II. Applicable Legal Standards

A. Intent to increase rates

Class B utilities such as Suburban Utility must file a statement of intent with the applicable regulatory authority in order to increase rates.² For rates inside of a municipality's corporate limits, the regulatory authority is the municipality, unless the municipality has ceded jurisdiction to the

¹ See Tex. Water Code § 13.002(4-b).

² See Tex. Water Code § 13.1871(b).

Commission.³ For rates outside of a municipality's corporate limits, the regulatory authority is the Commission.⁴ A utility's statement of intent to increase rates must include:

- (1) the information required by the regulatory authority's rules;
- (2) a billing comparison regarding the existing water rate and the new water rate computed for the use of:
 - (A) 10,000 gallons of water; and
 - (B) 30,000 gallons of water;
- (3) a billing comparison regarding the existing sewer rate and the new sewer rate computed for the use of 10,000 gallons, unless the utility proposes a flat rate for sewer services; and
- (4) a description of the process by which a ratepayer may file a complaint under Subsection (i) [relating to ratepayer protests].⁵

B. Notice

Pursuant to its authority under the Texas Water Code, the Commission has enacted rules for the processing of rate cases.⁶ With regard to notice, the Commission's rules require Class B utilities such as Suburban Utility to provide notice using the Commission-approved form of notice.⁷ The Commission-approved form of notice requires a utility to provide comparison between existing rates and proposed rates.⁸

C. Administrative Completeness

The Texas Water Code and the Commission's substantive rules require rate change applications to be reviewed for administrative completeness. The Texas Water Code states: "[I]f

³ See Tex. Water Code § 13.042(a)-(b).

⁴ See Tex. Water Code § 13.042(e).

⁵ Tex. Water Code § 13.1871(b)(1)-(4).

⁶ See generally Tex. Water Code § 13.041(b) (authorizing the Commission to adopt and enforce rules required in the exercise of its jurisdiction).

⁷ See 16 Tex. Admin. Code § 24.22(d)(1)(B). The Commission-approved form for notice and corresponding rate filing package are available online at:
<http://www.puc.texas.gov/industry/water/Forms/Forms.aspx>.

⁸ The Commission-approved form for notice is available online at:
http://www.puc.texas.gov/industry/water/Forms/44706-13-1871_Class_B_Notice_Fillable.pdf.

the application or the statement of intent is not substantially complete or does not comply with the regulatory authority's rules, it may be rejected and the effective date of the rate change may be suspended until a properly completed application is accepted by the regulatory authority and a proper statement of intent is provided."⁹ Likewise, the Commission's substantive rules state:

An application to change rates, including a minor rate change, applications for sale, acquisition, lease, rental, merger, or consolidation, assignment of facilities or certificates; requests for purchase of voting stock or change in controlling interest of a utility; applications for cessation of operations by a retail public utility and applications for certificates of convenience and necessity shall be reviewed for administrative completeness within thirty calendar days of receipt of the application.¹⁰

III. Staff's Comments

A. The application is administratively complete

Staff has reviewed Suburban Utility's application and accompanying documents, and Staff recommends that the Commission deem the application administratively complete and Suburban's notice to its ratepayers to be sufficient.¹¹ Additionally, Staff recommends that the Commission suspend the proposed effective date for 265 days.¹² Suburban Utility still has the ability to request interim rates during the suspension period.¹³

B. This proceeding should be referred to the State Office of Administrative Hearings

The Texas Water Code permits the Commission to "set the matter for hearing on its own motion at any time within 120 days after the effective date of the rate change."¹⁴ Staff has

⁹ Tex. Water Code § 13.1871(f).

¹⁰ 16 Tex. Admin. Code § 24.8(a).

¹¹ Staff's recommendation is based on the attached memorandum from the Water Utilities Division.

¹² See Tex. Water Code § 13.1871(g) (stating, "After written notice to the utility, the utility commission may suspend the effective date of a rate change for not more than 265 days from the proposed effective date.).

¹³ See Tex. Water Code § 13.1871(s) ("stating that "the regulatory authority may fix interim rates to remain in effect during the applicable suspension period").

¹⁴ Tex. Water Code § 13.1871(i). See also 16 Tex. Admin. Code § 24.28(c)(1) (stating same).

determined that there are factual disputes associated with Suburban Utility's cost of service that need to be adjudicated. Given these factual disputes, Staff requests that the Commission refer this proceeding to the State Office of Administrative Hearings.¹⁵

IV. Conclusion

Staff recommends that the Commission deem Suburban Utility's application administratively complete. Additionally, Staff requests that the Commission refer this proceeding to the State Office of Administrative Hearings.

Date: January 27, 2017

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton
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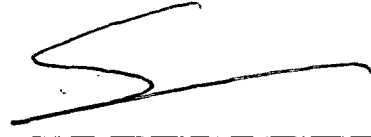
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¹⁵ See generally 16 Tex. Admin. Code § 22.207.

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CERTIFICATE OF SERVICE

I certify that a copy of this document was served on all parties of record on January 27, 2017, in accordance with 16 TAC § 22.74.



Sam Chang

Public Utility Commission of Texas

Interoffice Memorandum

TO: Sam Chang, Attorney
Legal Division

THRU: Tammy Benter, Director
Debi Loockerman, Financial Manager
Heidi Graham, Technical Manager
Water Utility Regulation

FROM: Leila Guerrero, Regulatory Accountant/Auditor
Emily Sears, Financial Analyst
Patricia Garcia, Engineering Specialist
Water Utility Regulation

DATE: January 25, 2017

SUBJECT: **Docket No. 46674**, *Application of Suburban Utility Company, Inc. to Change Rates for Water Service*

On December 29, 2016, Suburban Utility Company, Inc., ("Applicant" or "Suburban"), Certificate of Convenience and Necessity (CCN) No. 10835, filed an application with the Public Utility Commission of Texas ("Commission") to change its water rates and to amend its tariff in Harris County, Texas. An administrative review of the application is now being made pursuant to Tex. Water Code Ann. §§ 13.1871 (TWC) and 16 Tex. Admin. Code §§ 24.21 through 24.26 (TAC).

Pursuant to TWC §§ 13.002(4-b), Suburban is a Class B water utility. Suburban currently provides retail utility service with four (4) Public Water Systems (PWS) to approximately 1,350 customers all in Harris County. However, only three PWS are included in this rate change application, these are: the Cypress Bend PWS No. 1010119, Beaumont Place PWS No. 1010098, and Reservoir Acres PWS No. 1010197, for a total of 1,004 customers. The Castlewood Subdivision, PWS ID No. 1010111, with 346 customers, is not included in this rate change application.

In addition to the proposed rate change, the Applicant is also proposing a "Capital Improvement Surcharge" of \$20.00 per customer for 60 months, for a total of \$1,204,800.00 (\$20 x 1,004 x 60 = \$1,204,800).

The notice provided to all affected customers appears to be accurate and the proposed effective date is February 3, 2017.

Based on the review, Staff recommends that the Commission do the following:

- a. deem the application sufficient for filing; and
- b. suspend the proposed effective date **for 265 days** pursuant to TWC § 13.1871(g)