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DOCKET NO. 46958

**APPLICATION OF DOGWOOD
ESTATES WATER COMPANY FOR A
RATE/TARIFF CHANGE**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

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COMMISSION STAFF'S RECOMMENDATION ON SUFFICIENCY

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this Recommendation on Sufficiency. In support thereof, Staff would show the following:

I. BACKGROUND

On April 20, 2017, Dogwood Estates Water Company (Dogwood) filed with the Public Utility Commission of Texas (Commission) an application for a rate/tariff change (Application) under Certificate of Convenience and Necessity (CCN) No. 10823 in Henderson County.

Order No. 1 was issued by the Administrative Law Judge (ALJ) on April 24, 2017, requiring Staff to file comments on the administrative completeness of the Application and notice by May 22, 2017. Therefore, this pleading is timely filed.

II. COMMENTS ON ADMINISTRATIVE COMPLETENESS AND NOTICE

Staff has reviewed the Application and, based on the attached memorandum of Janie Kohl of the Commission's Water Utility Regulation Division, Staff recommends that the Application and notice be found deficient. Staff recommends that Dogwood be required to remedy the deficiencies identified in the attached memorandum.

Pursuant to 16 Tex. Admin. Code § 24.26(b)(1) (TAC), the Commission may suspend the effective date of a change in rates requested pursuant to Texas Water Code § 13.1871, if the utility has failed to properly complete the rate application as required by 16 TAC § 24.22, or if the utility has failed to comply with the notice requirements or proof of notice requirements. Therefore, Staff recommends suspending the proposed effective date of June 5, 2017 until the noted deficiencies are resolved.

III. PROPOSED PROCEDURAL SCHEDULE

Due to the deficiencies in the application, Staff does not recommend a procedural schedule for the evaluation of the merits of the application at this time. Instead, Staff recommends that Dogwood be given until June 22, 2017 to remedy the identified deficiencies.

Staff recommends that it be required to provide a supplemental recommendation regarding administrative completeness by July 21, 2017.

IV. CONCLUSION

Staff respectfully requests that the ALJ issue an order consistent with the above recommendation.

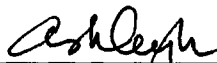
Dated: May 22, 2017

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

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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 22, 2017 in accordance with 16 TAC § 22.74.



Ashley Nwonuma

PUC Interoffice Memorandum

To: Ashley Nwonuma, Attorney
Legal Division

Thru: Debi Loockerman, Finance Manager
Water Utilities Division

From: Janie Kohl, Financial Analyst
Water Utilities Division

Date: May 22, 2016

Subject: **Docket No. 46958**, *Application of Dogwood Estates Water Company for a Water Rate/Tariff Change*

On April 20, 2017, Dogwood Estates Water Company (Applicant) filed an application with the Public Utilities Commission of Texas (PUC) for a rate/tariff change affecting Certificate of Convenience and Necessity (CCN) No. 10823 in Henderson 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.

Order No. 1 requested that Staff review the rate change application and proposed notice for administrative completeness by May 22, 2017. Staff has completed the administrative review and recommends the application and notice be found deficient. Due to the deficiencies in the application, Schedule I-1, and the subsidiary schedule, notice should not be issued until the application is deemed sufficient. Staff recommends that the Applicant provide the following documentation:

Application Deficiencies:

1. For Schedule II-8, "Contract Work," a cost of \$24,510 is listed as monthly.
 - a. Clarify whether the cost \$24,510 is monthly or annual.
 - b. If the cost is monthly, Schedule I-1 will need to be adjusted from \$28,910 to include the annual cost of \$294,120.
 - c. The proposed rates and notice would also need to be adjusted if the cost is a monthly cost that is intended to be recovered through rates.
2. For Schedule II-11, "Employee Benefits," a cost of \$25,876 is listed as the cost for one employee. Schedule I-1 line 13, "Employee pensions & benefits," shows no cost to be recovered through the proposed rates.
 - a. If Schedule I-1 is correct as submitted, clarify with a statement that no recovery of benefits is sought by the Applicant.
 - b. If Schedule I-1 is incorrect, carry forward the employee benefits cost to Schedule I-1, line 13, and revise the proposed rates and notice.

3. For Schedule III – 2, “Rate Base Summary”, Line 8 has an incorrect subtotal. The subtotal should be \$1,198,073 instead of \$1,198,046. This also results in a carry through mathematical error on line 16. All other calculations dependent on this amount must be corrected throughout the application.
4. For Schedule V, “Schedule of Effective Federal Tax Rate,” Line 2 is incorrect: $0.91\% * \$684,503 = \$6,228.98$ not \$6,245. This error needs to be corrected as well as any carry through errors in the application that this calculation affects (*or has been affected by - see item no. 3 above regarding rate base summary possible error) including the proposed rates and notice.
5. For Attachment B, the NARUC account description for the following NARUC account numbers need to be provided as well as the account numbers these accounts feed into:
 - a. 314
 - b. 316
 - c. 322
 - d. 325
 - e. 349
6. An explanation is needed of why Well # 1, Plant # 1, Pump - 5 HP with an installation date of February 26, 2009, has a service life of 30 years. If this is an error, correct the service life, Schedule III-3, and carry through the correction to the applicable rate change schedules, proposed rates, and notice.
7. An explanation is needed of why Well # 4 Pump – 25 HP with an installation date of July 2, 2009, has a claimed economic life of 10 years. An explanation is also needed of why a NARUC account number of 310 (which classifies the well as “Power Generation Equipment”) has been used. If this is an error, correct the service life on Schedule III-3 and carry through the correction to the applicable rate change schedules, proposed rates, and notice.
8. A statement of when the last rate case filing occurred for Dogwood Estates Water Company is needed. The cover page of the application states 9/1/11 and Schedule III-7, “Accumulated Depreciation From Prior Rate Case,” line 1, states for Ending-Prior Rate Case (Docket No. N/A). The following information is needed:
 - a. Date of the filing;
 - b. Docket or application number of the filing;
 - c. Agency name: TCEQ or PUC;
 - d. Type of filing: CCN, Rate Change, Rate Pass Through, Sale/Transfer/Merger; and,
 - e. A copy of the order approving the rates, if the filing was a rate/tariff change application.
9. An explanation is needed of why the Applicant is proposing a lower than calculated base rate of \$44.12.

10. An explanation is needed of why the Applicant is proposing a two phase rate increase.

Pass Through Requirements:

11. For the proposed tariff, a pass-through fee is proposed as "\$0.03 per 1,000 gallons for the Neches and Trinity Valley's Groundwater Conservation District's pumpage fee" on page 2 of the "Notice of Proposed Rate Change – Water." The following information is needed to complete the application:

- a. Clarify if the Applicant has ever submitted a pass through rate change request to the PUC or TCEQ and provide the docket number for the case.
- b. If a pass through rate change request is intended as a first time request to be incorporated into the class B rate change application, the following supporting information is needed:
 - i. The affected CCN number(s);
 - ii. A list of the affected subdivision(s), public water system name(s) and corresponding number(s) issued by the TCEQ, and the water quality system name(s) and corresponding number(s) issued by the TCEQ, if applicable;
 - iii. A copy of the notice to the customers;
 - iv. Documentation supporting the stated amounts of any new or modified pass-through costs;
 - v. Historical documentation of line loss for one year;
 - vi. All calculations and assumptions for any true-up of pass-through costs;
 - vii. The calculations and assumptions used to determine the new rates; and
 - viii. A copy of the pages of the Applicant's tariff that contain the rates that will change if the application is approved.