

Control Number: 47091



Item Number: 76

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DOCKET NO. 47091

RECEIVED

APPLICATION OF TEXAS WATER §
SYSTEMS, INC. FOR AUTHORITY TO §
CHANGE RATES §

2017 OCT 17 PM 1:48
PUBLIC UTILITY COMMISSION
OFFICE OF THE CLERK
OF TEXAS

COMMISSION STAFF'S FINAL RECOMMENDATION

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

I. Background

On April 21, 2017, Texas Water Systems, Inc. ("TWS" or "Applicant") filed an application ("Application") for a rate/tariff change under Certificate of Convenience and Necessity No. 12473 in Upshur County with an effective date of July 1, 2017. Order No. 4 deemed the Application sufficient on August 9, 2017. Order No. 5 allowed Staff until October 17, 2017 to file a final recommendation.

III. Final Recommendation

As shown by the attached memorandum from Sean Scaff, Janie Kohl, and Jonathon Ramirez of the Water Utilities Division, Staff recommends that the Applicant's noticed rate increase be approved as reflected in the attached tariff. Staff further recommends that no hearing is necessary.

IV. Conclusion

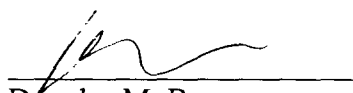
Staff respectfully requests issuance of an order consistent with the above recommendations.

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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DOCKET NO. 47091

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on October 17, 2017, in accordance with 16 TAC § 22.74.



Douglas M. Brown

Public Utility Commission of Texas

Memorandum

TO: Doug Brown, Attorney
Legal Division

THRU: Tammy Benter, Director
Debi Loockerman, Finance Manager
Water Utilities Regulation Division

FROM: Janie Kohl, Financial Analyst
Jonathan Ramirez, Financial Analyst
Sean Scaff, Engineering Specialist
Water Utilities Regulation Division

DATE: October 16, 2017

SUBJECT: **Docket No. 47091**, *Application of Texas Water Systems, Inc. for Authority to Change Rates*

Background

On April 21, 2017, Texas Water Systems, Inc. (Applicant), Certificate of Convenience and Necessity (CCN) No. 12473, filed an application with the Public Utility Commission of Texas (Commission) for a water rate/tariff change in Upshur County, Texas. The application was filed pursuant to Tex. Water Code Ann. § 13.1871 (TWC) and 16 Tex. Admin. Code §§ 24.8, 24.21, 24.22 and 24.31(TAC).

Fifty-six protests (6.6%) out of 842 connections were received by the ratepayers affected by this water rate/tariff change. Staff completed the review of all information provided by the Applicant and determined that the requested rates are supported by the documents provided. Staff's analysis included the review of the Applicant's rate filing package, the accompanying work papers, and responses to request for information. Staff determined that the rate increase as requested and noticed by the Applicant complies with the requirements of TWC §§13.182, 13.183 and 13.185 and 16 TAC §24.31 for the reasons discussed below.

Revenue Requirement

The rates requested by the Applicant produce estimated total revenues of \$629,748. The expenses appear to be generally comprised of expenses permitted by 16 TAC § 24.31(b). The proposed rates are limited by the rates and requested requirement noticed to the customers in this case. Staff's analysis results in a revenue requirement higher than that proposed by the utility, however, Staff recommends that the Applicant is limited to the noticed revenue requirement. Therefore, Staff recommends that the Applicant's proposed rates are reasonable and necessary to provide water service, and reasonably cover the level of the cost of service. For all these reasons, Staff

recommends that the Commission approve the rates as requested in the application and noticed to customers.

Plant in Service

The Applicant claims an original cost of \$1,912,830, annual depreciation of \$66,949, accumulated depreciation of \$802,501 and the total net book value of existing facilities of \$1,110,329. Based on the assets that the Applicant included in the depreciation schedule of the application, Staff calculated original cost, annual depreciation, accumulated depreciation, and total net book value of existing facilities are identical to the applicant’s claimed amounts. Staff calculated the net book value by depreciating the original cost of facilities, as required by 16 TAC § 24.31(c)(2).

Return on Invested Capital

The Applicant did not request a rate of return to be included in the cost of service in this application. However, 16 TAC§ 24.31(c)(1) requires that the return should be reasonably sufficient to assure confidence in the financial soundness of the utility in the conservation of resources and the quality of the utility’s services. Staff finds that including a 6.75% rate of return, including a return on equity of 8.82%, for the cost of service appropriate in this case. The Applicant’s requested rate base included a working cash allowance of \$43,409 and Staff also calculated a working cash allowance of \$41,570 which is equal to one-twelfth of the Applicant’s total annual operations and maintenance expenses excluding amounts charged for materials, supplies, and prepayments, as permitted by 16 TAC § 24.28(c).

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. Staff reviewed the proposed rate design indicated in Sections IX and X of the application. Using 842 connections, indicated in the application, the Applicant proposed a base rate of \$42.00 plus \$3.00 per 1,000 gallons. Staff finds that the proposed rates are just and reasonable since Staff’s recommended revenue requirement is higher than the revenues produced by the requested rate. Therefore, Staff recommends that the Applicant’s proposed rates be approved because the rates are reasonable with respect to each customer. The following rates are recommended:

Minimum Bill includes 0 Gallons		Gallonage Rate
<u>Meter Size</u>	<u>Rates</u>	
5/8" x 3/4"	\$ 42.00	\$ 3.00 per 1,000 gallons
3/4"	\$ 63.00	
1"	\$ 104.00	
1½"	\$ 205.00	
2"	\$ 325.00	

Conclusion

Based on this review, Staff recommends that:

1. The Applicant's requested rates and the tariff provisions included in the attached tariff be approved; and
2. A copy of the attached tariff be provided to the Applicant.



**WATER UTILITY TARIFF
Docket Number 47091**

Texas Water Systems, Inc.
(Utility Name)

7891 U.S. Highway 271
(Business Address)

Tyler, Texas 75708
(City, State, Zip Code)

(903) 595-2128
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate of Convenience and Necessity:

12473

This tariff is effective in the following county:

Gregg, Henderson, Limestone, Smith and Upshur

This tariff is effective in the following cities or unincorporated towns (if any):

None

This tariff is effective in the following subdivisions or systems:

See attached list.

TABLE OF CONTENTS

The above utility lists the following sections of its tariff (if additional pages are needed for a section, all pages should be numbered consecutively):

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APPENDIX A -- DROUGHT CONTINGENCY PLAN

APPENDIX B -- APPLICATION FOR SERVICE

Texas Water Systems, Inc.

This tariff is effective in the following subdivisions or systems:

Subdivision	PWS ID Number	County
Cape Tranquility	1070176	Henderson
Country Club Estates	2300021	Upshur
Friendship Community	2300020	Upshur
Garden Acres Subdivision	0920031	Gregg
Garden Valley Water System	2120081	Smith
Mount Sylvan Community	2120034	Smith
Rosewood Community	2300026	Upshur
Stallion Lake	2120104	Smith
Tall Oaks Subdivision	1470037	Limestone

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u> (Includes 0 gallons)	<u>Gallage Charge</u>
5/8"	<u>\$42.00</u>	<u>\$3.00</u> per 1,000 gallons
3/4"	<u>\$63.00</u>	
1"	<u>\$104.00</u>	
1½"	<u>\$205.00</u>	
2"	<u>\$325.00</u>	
3"	<u>\$600.00</u>	

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X Check X Money Order X Credit Card _____ Other (specify) _____
 THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

REGULATORY ASSESSMENT 1.0%
 PUC RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL AND TO REMIT TO THE TCEQ.

Section 1.02 – Miscellaneous Fees

TAP FEE 800.00
 TAP COVERS THE UTILITY'S COST FOR MATERIALS AND LABOR TO INSTALL STANDARD RESIDENTIAL 5/8" OR 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

METER TEST FEE (actual cost of testing the meter up to) \$25.00
 THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THIS FEE MAY NOT EXCEED \$25.

RECONNECTION FEE
 THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS:
 a) Nonpayment of bill (Maximum \$25.00) \$25.00
 b) Customer's request None
 or other reasons listed under Section 2.0 of this tariff

LATE CHARGE \$5.00
 PUC RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

SECTION 1.0 -- RATE SCHEDULE (Continued)

RETURNED CHECK CHARGE..... \$25.00
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50) \$50.00

COMMERCIAL & NON-RESIDENTIAL DEPOSIT 1/6TH OF ESTIMATED ANNUAL BILL

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE

WHEN AUTHORIZED IN WRITING BY PUC AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [16 TAC 24.21(b)(2)(F)]

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

SECTION 2.0 - SERVICE RULES AND REGULATIONS

Section 2.01 – Rules

The Utility will have the most current Public Utility Commission of Texas (PUC or Commission) Rules, 16 TAC Chapter 24, available at its office for reference purposes. The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost. The latest Rules or Commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.02 - Application for and Provision of Water Service

All applications for service will be made on the Utility's standard application or contract form (attached in the Appendix to this tariff) and will be signed by the applicant before water service is provided by the Utility. A separate application or contract will be made for each service location.

After the applicant has met all the requirements, conditions, and regulations for service, the Utility will install tap, meter, and utility cut-off valve and/or take all necessary actions to initiate service. The Utility will serve each qualified applicant for service within 5 working days unless line extensions or new facilities are required. If construction is required to fill the order and if it cannot be completed within 30 days, the Utility will provide the applicant with a written explanation of the construction required and an expected date of service.

Where service has previously been provided, service will be reconnected within one working day after the applicant has met the requirements for reconnection.

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers may be required to install a customer owned cut-off valve on the customer's side of the meter or connection.

Section 2.03 - Refusal of Service

The Utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the PUC Rules. In the event that the Utility refuses to serve an applicant, the Utility will inform the applicant in writing of the basis of its refusal. The Utility is also required to inform the applicant that a complaint may be filed with the Commission.

Section 2.04 - Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the Utility, the applicant may be required to pay a deposit as provided for in Section 1.02 of this tariff. The Utility will keep records of the deposit and credit interest in accordance with PUC Rules.

Residential applicants 65 years of age or older may not be required to pay deposits unless the applicant has an outstanding account balance with the Utility or another water or sewer utility that accrued within the last two years.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (Continued)

Nonresidential applicants who cannot establish credit to the satisfaction of the Utility may be required to make a deposit that does not exceed an amount equivalent to one-sixth of the estimated annual billings.

Refund of deposit. If service is not connected, or after disconnection of service, the Utility will promptly refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The Utility may refund the deposit at any time prior to termination of utility service but must refund the deposit plus interest for any residential customer who has paid 18 consecutive billings without being delinquent.

Section 2.05 - Meter Requirements, Readings, and Testing

All water sold by the Utility will be billed based on meter measurements. The Utility will provide, install, own, and maintain meters to measure amounts of water consumed by its customers. One meter is required for each residential, commercial, or industrial facility in accordance with the PUC Rules.

Service meters will be read at monthly intervals and as nearly as possible on the corresponding day of each monthly meter reading period unless otherwise authorized by the Commission.

Meter tests. The Utility will, upon the request of a customer, and, if the customer so desires, in his or her presence or in that of his or her authorized representative, make without charge a test of the accuracy of the customer's meter. If the customer asks to observe the test, the test will be made during the Utility's normal working hours at a time convenient to the customer. Whenever possible, the test will be made on the customer's premises, but may, at the Utility's discretion, be made at the Utility's testing facility. If within a period of two years the customer requests a new test, the Utility will make the test, but if the meter is found to be within the accuracy standards established by the American Water Works Association, the Utility will charge the customer a fee that reflects the cost to test the meter up to a maximum \$25 for a residential customer. Following the completion of any requested test, the Utility will promptly advise the customer of the date of removal of the meter, the date of the test, the result of the test, and who made the test.

Section 2.06 - Billing

Bills from the Utility will be mailed monthly unless otherwise authorized by the Commission. The due date of the bills for utility service will be at least sixteen (16) days from the date of issuance. The postmark on the bill or, if there is no postmark on the bill, the recorded date of mailing by the Utility will constitute proof of the date of issuance. At the customer's option, bills may be sent in a paperless, electronic form by email. The date of the email will constitute the date of issuance. Payment for utility service is delinquent if full payment, including late fees and the regulatory assessment, is not received at the Utility or the Utility's authorized payment agency by 5:00 p.m. on the due date. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next workday after the due date.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (Continued)

A late penalty of either \$5.00 or 10% will be charged on bills received after the due date. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The Utility must maintain a record of the date of mailing to charge the late penalty.

Each bill will provide all information required by the PUC Rules. For each of the systems it operates, the Utility will maintain and note on the monthly bill a telephone number (or numbers) which may be reached by a local call by customers. At the Utility's option, a toll-free telephone number or the equivalent may be provided.

In the event of a dispute between a customer and the Utility regarding any bill for utility service, the Utility will conduct an investigation and report the results to the customer. If the dispute is not resolved, the Utility will inform the customer that a complaint may be filed with the Commission.

Section 2.07 - Service Disconnection

Utility service may be disconnected if the bill has not been paid in full by the date listed on the termination notice. The termination date must be at least 10 days after the notice is mailed or hand delivered.

The Utility is encouraged to offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement entered into within 26 days from the date of issuance of a bill and if proper notice of termination has been given.

Notice of termination must be a separate mailing or hand delivery in accordance with the PUC Rules.

Utility service may also be disconnected without notice for reasons as described in the PUC Rules.

Section 2.08 - Reconnection of Service

Utility personnel must be available to collect payments and to reconnect service on the day of and the day after any disconnection of service unless service was disconnected at the customer's request or due to a hazardous condition.

Service will be reconnected within 24 hours after the past due bill and any other outstanding charges are paid or correction of the conditions which caused service to be disconnected.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (Continued)

Section 2.09 - Service Interruptions

The Utility will make all reasonable efforts to prevent interruptions of service. If interruptions occur, the Utility will re-establish service within the shortest possible time. Except for momentary interruptions due to automatic equipment operations, the Utility will keep a complete record of all interruptions, both emergency and scheduled and will notify the Commission in writing of any service interruptions affecting the entire system or any major division of the system lasting more than four hours. The notice will explain the cause of the interruptions.

Prorated Bills. If service is interrupted or seriously impaired for 24 consecutive hours or more, the Utility will prorate the monthly base bill in proportion to the time service was not available to reflect this loss of service.

Section 2.10 - Quality of Service

The Utility will plan, furnish, and maintain production, treatment, storage, transmission, and distribution facilities of sufficient size and capacity to provide a continuous and adequate supply of water for all reasonable consumer uses. Unless otherwise authorized by the Commission, the Utility will maintain facilities as described in the TCEQ Rules and Regulations for Public Water Systems.

Section 2.11 - Customer Complaints and Disputes

If a customer or applicant for service lodges a complaint, the Utility will promptly make a suitable investigation and advise the complainant of the results. Service will not be disconnected pending completion of the investigation. If the complainant is dissatisfied with the Utility's response, the Utility must advise the complainant that he has recourse through the PUC complaint process. Pending resolution of a complaint, the Commission may require continuation or restoration of service.

The Utility will maintain a record of all complaints which shows the name and address of the complainant, the date and nature of the complaint and the adjustment or disposition thereof, for a period of two years after the final settlement of the complaint.

SECTION 2.20 – SPECIFIC UTILITY SERVICE RULES AND REGULATIONS

This section contains specific utility service rules in addition to the rules previously listed under Section 2.0. It must be reviewed and approved by the Commission and in compliance with PUC rules to be effective.

SECTION 3.0 - EXTENSION POLICY

Section 3.01 - Standard Extension Requirements

LINE EXTENSION AND CONSTRUCTION CHARGES. No contribution in aid of construction may be required of any customer except as provided for in this approved extension policy.

The customer will be given an itemized statement of the costs, options such as rebates to the customer, sharing of construction costs between the Utility and the customer, or sharing of costs between the customer and other applicants before beginning construction.

The Utility will bear the full cost of any oversizing of water mains necessary to serve other customers in the immediate area. The individual residential customer shall not be charged for any additional production, storage, or treatment facilities. Contributions in aid of construction may not be required of individual residential customers for production, storage, treatment or transmission facilities unless otherwise approved by the Commission under this specific extension policy.

COST UTILITIES SHALL BEAR. Within its certificate area, the Utility will pay the cost of the first 200 feet of any water main or distribution line necessary to extend service to an individual residential customer within a platted subdivision. However, if the residential customer requesting service purchased the property after the developer was notified of the need to provide facilities to the Utility, the Utility may charge for the first 200 feet. The Utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the Utility's facilities in accordance with the Utility's approved extension policy after receiving a written request from the Utility.

Developers may be required to provide contributions in aid of construction in amounts to furnish the system with all facilities necessary to comply with the PUC's Rules.

SECTION 3.02 - SPECIFIC UTILITY EXTENSION POLICY

This section contains the Utility's specific extension policy that complies with the requirements already stated under Section 3.01. It must be reviewed and approved by the Commission and in compliance with PUC Rules to be effective.

Residential customers not covered under Section 3.01 will be charged the equivalent of the costs of extending service to their property from the nearest transmission or distribution line even if that line does not have adequate capacity to serve the customer. However, if the customer places unique, non-standard service demands upon the system, the customer may be charged the full cost of extending service to and throughout their property, including the cost of all necessary transmission and storage facilities necessary to meet the service demands anticipated to be created by that property.

Developers may be required to provide contributions in aid of construction in amounts sufficient to furnish the development with all facilities necessary to provide for reasonable local demand requirements and to comply with TCEQ minimum design criteria for facilities used in the production, transmission, pumping, or treatment of water or TCEQ minimum requirements. For purposes of this subsection, a developer is one who subdivides or requests more than two meters on a piece of property. Commercial, industrial, and wholesale customers will be treated as developers.

APPENDIX A – DROUGHT CONTINGENCY PLAN

“This page incorporates by reference the utility’s Drought Contingency Plan, as approved and periodically amended by the Texas Commission on Environmental Quality.”

APPENDIX B -- APPLICATION FOR SERVICE
(Utility Must Attach Blank Copy)