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**SOAH DOCKET NO. 473-18-1228.WS
PUC DOCKET NO. 47161**

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**APPLICATION KERR COUNTY WATER §
SYSTEMS, LLC FOR AUTHORITY TO §
CHANGE RATES §**

**PUBLIC UTILITY COMMISSION
OF TEXAS**
COMMISSION
FILING CLERK

COMMISSION STAFF'S MEMORANDUM IN SUPPORT OF THE STIPULATION

Comes now the Staff of the Public Utility Commission of Texas, representing the public interest and files the attached memorandum of Leila Guerrero, Jolie Mathis and Emily Sears of the Water Utility Regulation Division.


Dated: January 16, 2019

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Karen S. Hubbard
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**DOCKET NO. 47161
CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record January 16, 2019, in accordance with 16 Texas Admin. Code § 22.74.



Alexander Petak

Public Utility Commission of Texas

Memorandum in Support of Unanimous Stipulation and Settlement Agreement

TO: Alexander Petak, Attorney
Legal Division

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

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

DATE: January 10, 2019

SUBJECT: *SOAH Docket No. 473-18-1228.WS, PUC Docket No. 47161; Application of Kerr County Water Systems, LLC for Authority to Change Rates*

Background

On July 7, 2017, Kerr County Water Systems, LLC (Kerr County WS) Certificate of Convenience and Necessity (CCN) No. 13166, filed an application with the Public Utility Commission of Texas (Commission) for a water rate/tariff change with an effective date of August 6, 2017, in Kerr County, Texas. The increase affects approximately 88 connections. The application was filed pursuant to Texas Water Code (TAC) §§ 13.041, 13.042(e), 13.181 – 13.185, and 13.1871 and 16 Texas Administrative Code (TAC) §§ 24.25 – 24.33 (previously 24.21 - 24.26). The increase affects the Bumblebee Hills Water Systems public water system (PWS) No. 1330092.

Staff Recommendation

After review of the application, Staff recommends that the Commission approve the stipulated rates and find that the rate change complies with the requirements of TWC §§ 13.182, 13.183, 13.185 and 16 TAC § 24.41 for the reasons discussed below.

Kerr County WS requested a total revenue requirement of \$90,346. However, the stipulated rates generate a total revenue of approximately \$70,684.

The stipulation includes an adjustment to rate base from \$38,815 to \$281,975, due to including rate base items found by Staff that should have been included in the application. The adjustment to rate base created an adjustment to the annual depreciation expense of \$1,243, from \$5,896 to \$7,114. Along with the change to rate base is an adjustment to the rate of return from 11.58% to

6.98%. These two adjustments combined increased return from \$3,518 to \$6,165. These changes resulted in a decrease to federal income taxes due to flow through calculations of \$23,527, from \$24,691 to \$1,165. The total revenue requirement included in the stipulation is \$70,684. Staff agrees that approval of the stipulated rates is reasonable and in the public interest.

Rate Design

Staff reviewed the proposed rate design the application. Staff used the reported number of gallons billed, and the approximate number of customers. The proposed rates are reasonable with respect to each customer.

By stipulation, Kerr County and Commission Staff have resolved and settled the outstanding issues related to the rates Kerr County may charge for water services and enter into agreement on the rates below. Beginning on the effective date, Kerr County and Commission Staff agree that the monthly charge for water service shall be set at the following rates below.

Water Rates for Bumblebee Hills Water Systems

Meter Size	Minimum Charge (includes 0 gallons)
5/8" or 3/4"	\$22.56
3/4"	\$33.84
1"	\$56.40
1.5"	\$112.80
2"	\$180.48
3"	\$338.40
4"	\$564.00
6"	\$1,128.00
Gallonge Rate (per 1,000 gallons)	\$3.02

Conclusion

Based on this review, Staff recommends that the Commission:

1. Find that the stipulation is in the public interest;
2. Approve the rates and the tariff provisions included in the stipulation; and
3. Provide a copy of the tariff to the Applicant.