



Control Number: 47161



Item Number: 37

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**DeAnn T. Walker**  
Chairman

**Arthur C. D'Andrea**  
Commissioner

**Shelly Botkin**  
Commissioner

**John Paul Urban**  
Executive Director



**Greg Abbott**  
Governor

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**Public Utility Commission of Texas**

TO: DeAnn T. Walker, Chairman  
Arthur C. D'Andrea, Commissioner  
Shelly Botkin, Commissioner

All Parties of Record

FROM: Office of Policy & Docket Management

RE: **Open Meeting of July 18, 2019**  
**PUC Docket No. 47161**  
**SOAH Docket No. 473-18-1228.WS** – *Application of Kerr County Water Systems, LLC for Authority to Change Rates*

DATE: June 20, 2019

Enclosed is a copy of the Proposed Order in the above-referenced docket. The Commission will consider this docket at an open meeting presently scheduled to begin at 9:30 a.m. on Thursday, July 18, 2019, at the Commission's offices, 1701 North Congress Avenue, Austin, Texas. The parties shall file corrections or exceptions to the Proposed Order on or before Wednesday, July 10, 2019.

On December 4, 2017, the Commission referred this proceeding to the State Office of Administrative Hearings. Subsequently, the docket was returned to the Commission.

**If there are no corrections or exceptions, no response is necessary.**

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

<b>APPLICATION OF KERR COUNTY</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>WATER SYSTEMS, LLC FOR</b>	<b>§</b>	
<b>AUTHORITY TO CHANGE RATES</b>	<b>§</b>	<b>OF TEXAS</b>

**PROPOSED ORDER**

This Order addresses the application of Kerr County Water Systems, LLC (Kerr County WS) for authority to increase the rates charged to its ratepayers for water service in Kerr County. Kerr County WS and Commission Staff filed an unopposed agreement that resolves certain issues between the parties to this proceeding. The Commission approves Kerr County WS's change in water rates and associated tariff, as modified by the agreement, to the extent provided in this Order.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicant**

1. Kerr County WS provides retail water service to 88 connections under certificate of convenience and necessity number 13166 in Kerr County.
2. The increase in water rates and associated tariff for this proceeding applies to the Bumblebee Hills system, public water system number 1330092.

**Application**

3. On July 3, 2017, Kerr County WS filed an application for authority to increase water rates for the metered connections it serves in Kerr County.
4. Using a test year ending December 31, 2016, Kerr County WS requested an annual revenue requirement increase of \$38,521.05, for an overall revenue requirement of \$91,286.
5. In the application, Kerr County WS calculated operations and maintenance expense of \$57,181, depreciation expense of \$5,896, federal income tax expense of \$24,690, and a requested return of \$3,518.

6. In the application, Kerr County WS calculated an original cost for plant in service of \$38,815, accumulated depreciation of \$15,585.46, and net plant in service of \$23,229.54.
7. Kerr County WS requested a rate of return of 11.58%.
8. Kerr County WS's current and proposed metered water rates are as follows:

CURRENT RATES		PROPOSED RATES	
Monthly base rate including 3,000 gallons		Monthly base rate including 0 gallons	
Meter Size: <b>RESIDENTIAL</b>		Meter Size: <b>RESIDENTIAL</b>	
5/8" x 3/4"	\$ 21.75	5/8" x 3/4"	\$ 33.53
1"	\$ 45.38	1"	\$ 83.82
1-1/2"	\$ 84.75	1-1/2"	\$ 167.63
2"	\$ 132.00	2"	\$ 268.22
	\$ 242.25	3"	\$ 502.90
Gallonage Charge — per 1,000 gal	\$3.00	Gallonage Charge — per 1,000 gal	\$3.02

9. In Order No. 1 issued on July 10, 2017, the Commission administrative law judge (ALJ) addressed procedural matters and required a Commission Staff recommendation on administrative completeness of the application and notice and a proposed procedural schedule.
10. In Order No. 2 issued on August 7, 2017, the Commission ALJ deemed the application administratively complete.

**Effective Date of Rates**

11. The effective date of Kerr County WS's proposed rates states in its notice was August 1, 2017.
12. On September 22, 2018, Commission Staff requested that the Commission suspend the effective date of the proposed rates.
13. In Order No. 3 issued on September 25, 2018, the Commission ALJ suspended the effective date of August 1, 2017 for no more than 265 days.
14. On April 6, 2018, Commission Staff filed an agreement by Kerr County WS to waive the 265-day limit to the suspension period in Texas Water Code (TWC) § 13.1871(j).

15. In SOAH Order No. 3 issued on April 13, 2018, the SOAH ALJ found that Kerr County WS waived the 265-day limit to the suspension period in TWC § 13.1871(j), and, under 16 Texas Administrative Code (TAC) § 24.33(f), suspended the effective date of the final proposed rates until the Commission enters an order.

**Notice**

16. Kerr County WS mailed notice of the proposed change in rates to each customer or other affected party on July 1, 2017.
17. On July 3, 2017, Kerr County filed an affidavit attesting that notice was mailed to each customer or other affected party on or about July 1, 2017.

**Protests**

18. From July 7, 2017 through August 7, 2017, seven ratepayers filed protests, which constitutes 8% of the ratepayers of Kerr County WS.

**Referral to SOAH**

19. On November 13, 2017, Commission Staff recommended that the Commission refer this proceeding to the State Office of Administrative Hearings (SOAH).
20. On December 4, 2017, the Commission referred this case to SOAH.
21. On December 5, 2017, Commission Staff requested that the SOAH ALJ abate this proceeding pending settlement discussions.
22. In SOAH Order No. 1 issued on December 7, 2017, the SOAH ALJ described the case, established jurisdiction, and granted the motion to abate.
23. On January 12, 2018, the Commission entered a preliminary order.
24. In SOAH Order No. 2 issued on April 12, 2018, the SOAH ALJ continued the abatement of the case.
25. On January 16, 2019, Kerr County WS and Commission Staff (collectively, the signatories) filed an agreement resolving all of the issues between the parties to this proceeding.
26. In SOAH Order No. 4 issued on January 17, 2019, the SOAH ALJ remanded the proceeding to the Commission, and dismissed the SOAH docket.

**Interim Rates**

27. On April 6, 2018, Commission Staff filed a status report, and a joint request for interim rates.
28. In SOAH Order No. 3 issued on April 13, 2018, the SOAH ALJ granted interim rates.

**Evidence**

29. On December 14, 2018, the signatories filed a joint motion to admit evidence and remand the proceeding to the Commission.
30. On January 16, 2019, the signatories filed a supplemental joint motion to correct inconsistencies in the December 14, 2018 joint motion.
31. On January 16, 2019, Commission Staff filed the memorandum of Commission Staff witnesses Leila Guerrero, Jolie Mathis, and Emily Sears in support of the agreement.
32. In SOAH Order No. 4 issued on January 17, 2019, the SOAH ALJ admitted the following into evidence: the application, filed on July 3, 2017, including proof of notice; the settlement agreement and its attachments, filed on January 16, 2019; and the memorandum of Leila Guerrero, Emily Sears, and Jolie Mathis in support of the agreement, filed on January 16, 2019.

**Agreement**

33. Under the agreement, the signatories agreed to adjustments to the rate filing package, less other revenues, that produced a revenue requirement of \$70,684.
34. Under the agreement, the signatories agreed to operations and maintenance expense of \$57,181, depreciation expense of \$7,114, federal income tax expense of \$1,165, and a return of \$6,165.
35. Under the agreement, the signatories agreed to the amount of plant in service of \$281,975, accumulated depreciation of \$200,798, and net plant in service of \$81,177.
36. Kerr County WS's rate of return under the agreement is 6.98%.

37. Under the agreement, Kerr County WS's annual revenue requirement of \$70,684 results in the following monthly rates:

<b>INTERIM REQUESTED RATES</b>	
<b>Use for Single Tiered Rates</b>	
(includes 0 gallons)	
5/8 x 3/4"	\$ 23.82
3/4"	\$ 35.73
1"	\$ 59.55
1-1/2"	\$ 119.10
2"	\$ 190.56
3"	\$ 357.30
4"	\$ 595.50
Gallage rate:	\$ 3.02 /1,000 gallons

38. The agreed rates listed above in finding of fact 37 are just and reasonable and are not unreasonably discriminatory, preferential, or prejudicial.
39. Under the agreement, Kerr County WS will implement the retail water utility rates contained in Section 1.0 of the proposed tariff included as attachment A to the agreement.
40. Attachment A to the agreement is a tariff containing the water utility rates, terms, treatments, and conditions for each Kerr County WS ratepayer for the public water system and service area specified in the tariff.
41. The calculations of accounts and revenue requirements are included as attachment B to the agreement.
42. Kerr County WS agrees not to seek to recover and will not collect any rate-case expenses that it incurred or will incur regarding this application.
43. The revenue requirement set forth in the agreement permits Kerr County WS a reasonable opportunity to earn a reasonable return on its invested capital used and useful in rendering service to the public over and above its reasonable and necessary operating expenses.
44. The revenue requirement set forth in the agreement is adequate to preserve the financial integrity of Kerr County WS.

**Informal Disposition**

45. More than 15 days have passed since completion of the notice provided in this proceeding.

46. No hearing is necessary in this proceeding.
47. The decision reflected in this Order is not adverse to any party to this proceeding.

## II. Conclusions of Law

The Commission makes the following conclusions of law.

1. The Commission has jurisdiction to consider Kerr County WS's application under TWC §§ 13.041, 13.181, 13.182, 13.184, and 13.1871.
2. Kerr County WS is a public utility as defined in TWC § 13.002(23).
3. Kerr County WS is a class C utility as defined in TWC § 13.002(4-c) and 16 Texas Administrative Code (TAC) § 24.3(17).
4. Kerr County WS gave proper notice of the application in accordance with TWC § 13.1871 and 16 TAC § 24.27.
5. Less than 10% of the ratepayers of Kerr County WS filed protests with the Commission before the 91st day after the effective date of the rate change, so no hearing is required under TWC § 13.1871(i).
6. The Commission may fix interim rates during the suspension period until it makes a final determination in this case.
7. The Commission processed this docket in accordance with the requirements of the TWC, the Administrative Procedure Act,<sup>1</sup> and Commission rules.
8. In compliance with TWC § 13.183, Kerr County WS's overall revenues permit Kerr County WS a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses and to preserve the financial integrity of the utility.
9. An overall return of 6.98% will not yield Kerr County WS more than a fair return on the invested capital used and useful in rendering service in accordance with TWC § 13.184.

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<sup>1</sup> Administrative Procedure Act, Tex. Gov't Code §§ 2001.001–.902.



10. The rates approved in this case are based on original cost, less depreciation, of property used and useful to Kerr County WS's provision of service in accordance with TWC § 13.185.
11. The rates approved in this case are just and reasonable, comply with the ratemaking provisions in TWC chapter 13, and are not unreasonably discriminatory, preferential, or prejudicial.
12. The application does not constitute a major rate proceeding as defined by 16 TAC § 22.2(27).
13. The requirements for informal disposition in 16 TAC § 22.35 have been met in this proceeding.

### III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders:

1. The Commission approves Kerr County WS's change in water rates as modified by the agreement to the extent provided in this Order.
2. The Commission approves the tariff provided as attachment A to the agreement.
3. The rates and terms included in the tariff provided as attachment A to the agreement are approved, effective the first day of the month following the date this Order is signed.
4. Within 10 days of the date of this Order, Commission Staff must provide a clean copy of the tariff approved by this Order to central records to be marked *Approved* and filed in the Commission's tariff book.
5. Kerr County WS must not seek to recover and must not collect any rate-case expenses that it incurred or will incur related to this docket.
6. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement and must not be regarded as precedential as to the appropriateness of any principle or methodology underlying the agreement.

7. The Commission denies all other motions and any other requests for general or specific relief not expressly granted.

**Signed at Austin, Texas the \_\_\_\_\_ day of July 2019.**

**PUBLIC UTILITY COMMISSION OF TEXAS**

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**DEANN T. WALKER, CHAIRMAN**

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**ARTHUR C. D'ANDREA, COMMISSIONER**

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**SHELLY BOTKIN, COMMISSIONER**