



Control Number: 47168



Item Number: 5

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TARIFF CONTROL NO. 47168

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PUBLIC UTILITY COMMISSION
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**APPLICATION OF SUBURBAN
UTILITY COMPANY FOR A PASS-
THROUGH RATE CHANGE**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

COMMISSION STAFF'S RECOMMENDATION ON FINAL DISPOSITION

COMES NOW the Staff ("Staff") of the Public Utility Commission of Texas ("Commission"), representing the public interest, and files this Recommendation on Final Disposition.

I. BACKGROUND

On May 15, 2017, Quadvest LP ("Quadvest"), on behalf of Suburban Utility Company, Inc. ("Suburban") and as Suburban's temporary manager, filed an application to implement a pass-through rate increase for the Castlewood subdivision based on an increase in fees imposed on Suburban by the City of, effective April 1, 2017.¹ Quadvest requested that the increase be effective May 23, 2017. On May 15, 2017, Suburban sent notice to its customers of the Castlewood subdivision advising them of the increase in water use fees. On June 6, 2017, a notice was entered,

¹ Application (May 15, 2017) ("Application").

requiring Staff to file a recommendation on the application and sufficiency of notice and to propose a procedural schedule on or before June 16, 2017.

II. SUFFICIENCY OF THE APPLICATION AND NOTICE

The implementation of a production fee charged by a groundwater conservation district qualifies as a minor tariff change.² Consistent with the attached memorandum of Jonathan Ramirez, Water Utilities Division, Staff recommends the application be deemed complete and the notice be found sufficient pursuant to 16 Tex. Admin. Code § 24.21(b)(2)(E) (“TAC”) and 16 TAC § 22.55. In its application, Quadvest provided documentation substantiating the City of Houston’s fee attributable to the Castlewood subdivision of \$0.894 per 1,000 gallons of water.³ Suburban also provided a copy of the notice that it mailed to affected customers on May 15, 2017.⁴

III. RECOMMENDATION ON FINAL DISPOSITION

Staff recommends that Suburban’s application complies with the requirements of 16 TAC § 24.21(b)(2)(A)(vii) and that the application is administratively complete. Staff notes that Quadvest calculated the proposed pass-through rate of \$1.04 using the formula $AG = G + B/(1-L)$.⁵ However, consistent with 16 TAC § 24.21(b)(2)(D),⁶ Suburban previously requested and received approval to change its pass-through formula to $AG = G/(1-L)$ in Tariff Control No. 47005.⁷ Using the newly approved formula would yield a pass-through rate of \$1.05, rather than \$1.04.⁸ Staff recommends that the presiding officer approve a pass-through rate of \$1.04, which is

² 16 Tex. Admin. Code § 24.21(b)(2)(A)(vii) (allowing the Commission to approve minor changes to tariffs, including “implementation or modification of a pass-through provision calculation in a tariff . . .”).

³ Application at 5–6.

⁴ *Id.* at 4.

⁵ *Id.* at 3. In this formula, G is equal to the previously approved gallonage charge, B is equal to the change in the fee imposed on Suburban, and L is equal to the line loss experienced by Suburban, not to exceed 15%. *Id.*

⁶ The Commission’s rule on minor rate changes permits a utility to use the formula $AG = G/(1-L)$, where G equals the total fee imposed on Suburban and L is equal to the line loss experienced by Suburban. 16 TAC § 24.21(b)(2)(D). The Commission’s rule renders the formula as $AG = G + G/(1-L)$, but Staff notes that the additional “G” in the formula is likely the result of a clerical error, as otherwise the formula would yield rates nearly double the appropriate pass-through rate.

⁷ *Application of Suburban Utility Company, Inc. for a Pass-Through Rate Change*, Tariff Control No. 47005, Application (Mar. 30, 2017); Tariff Control No. 47005, Notice of Approval (Apr. 25, 2017).

⁸ Staff calculates this rate as follows: $\$1.05 = \$0.894/(1 - 0.15)$, rounded to the nearest penny.

consistent with the rate stated in the notice provided to customers. Staff has conferred with Quadvest, which agrees with Staff's recommendation.

Therefore, as supported by Mr. Ramirez's attached memorandum, Staff recommends approval of Suburban's application to implement a pass-through rate of \$1.04 for customers in the Castlewood subdivision. Staff therefore proposes no procedural schedule at this time, as none is required based on Staff's recommendation.

Attached to this pleading is a draft tariff that would implement Staff's recommendation.⁹

IV. CONCLUSION

Staff respectfully requests the entry of an order consistent with the above discussion.

⁹ Staff notes that the attached proposed tariff also corrects a clerical error contained in the tariff approved in Tariff Control No. 47005. Specifically, the tariff approved in Tariff Control No. 47005 rendered Suburban's pass-through formula as $AG = G + G/(1-L)$, even though Suburban had requested and received approval to use the $AG = G/(1-L)$ formula.

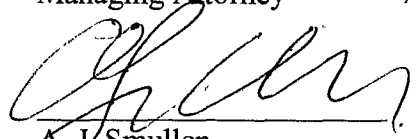
Date: June 16, 2017

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Stephen Mack
Managing Attorney

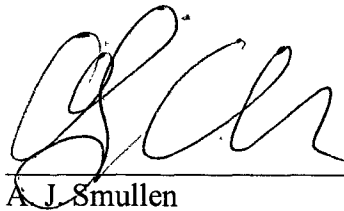


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TARIFF CONTROL NO. 47168

CERTIFICATE OF SERVICE

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



A. J. Smullen

PUC Interoffice Memorandum

To: AJ Smullen, Attorney
Legal Division

Thru: Tammy Benter, Director
Water Utilities Division

From: Jonathan Ramirez, Financial Analyst
Water Utilities Division

Date: June 16, 2017

Subject: **Tariff Control No. 47168;** *Application of Suburban Utility Company for a Pass-Through Rate Change*

On May 15, 2017, Quadvest, LP the temporary manager of Suburban Utility Company (Applicant) Certificate of Convenience and Necessity (CCN) No. 10835, requested approval of a pass-through rate increase due to an increase in water use fees imposed on the utility by the City of Houston. The rate increase will affect the customers in the Castlewood subdivision. The requested effective date for the pass-through rate change is May 23, 2017.

The Applicant proposed to increase the purchased water pass through rate fee from \$0.99 to \$1.04 per 1,000 gallons. Notice by the applicant was correctly provided to the customers pursuant to 16 Tex. Admin. Code§ 24.21(b)(2)(E).

Based upon review of the information submitted, Staff finds that the application is sufficient and recommends that the Commission:

1. Find that the application is sufficient for filing;
2. Approve the pass-through application as filed; and,
3. Provide a copy of an approved tariff to the Applicant (attached).



WATER UTILITY TARIFF

Tariff Control No. 47168

Suburban Utility Company
(Utility Name)

P.O. Box 455
(Business Address)

Spring, Texas 77383
(City, State, Zip Code)

(281) 444-7747
(Area Code/Telephone)

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

10835

This tariff is effective in the following county:

Harris County

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

N/A

This tariff is effective in the following subdivisions and public water systems:

Beaumont Place (PWS ID#1010098); Castlewood Subdivision (PWS ID#1010111); Cypress Bend Subdivision (PWS ID#1010119); Reservoir Acres Subdivision (PWS ID#1010197)

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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SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonage Charge</u>
5/8" x 3/4"	\$23.00 (Includes 0 gallons)	\$2.15 per 1000 gallons up to 20,000 gallons
3/4"	\$23.00	\$2.40 per 1000 gallons from 20,001 to 35,000 gallons
1"	\$57.50	\$2.65 per 1000 gallons from 35,001 to 50,000 gallons
1½ "	\$115.00	\$3.00 per 1000 gallons from 50,001 gallons and up
2"	\$184.00	*Plus Pass Through fees below
3"	\$345.00	

*Pass Through For Cypress Bend Subdivision:

\$3.41 per 1000 gallons additional fee will be added as a Pass Through charge by North Harris County Regional Water Authority (NHCRWA) for the customers in Cypress Bend Subdivision only, Effective April 1, 2017. $\{ \$2.90 / (1 - 0.15) \} = \{ \$2.90 / \$0.85 \} = \3.41

Tariff Control No. 47005

\$1.04 per 1000 gallons (which is \$0.894 plus line loss of 15 percent) will be added as a Pass Through charge by the City of Houston for customers in Castlewood Subdivision.

Tariff Control No. 47168

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 FEE TO THE TCEQ.

Section 1.02 - Miscellaneous Fees

TAP FEE.....\$600.00
 TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Unique costs) Actual Cost
 FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

TAP FEE (Large meter)..... Actual Cost
 TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.

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

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

Tariff Control No. 47168

SECTION 1.0 -- RATE SCHEDULE (Continued)

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

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Nonpayment of bill (Maximum \$25.00) \$25.00
- b) Customer's request that service be disconnected \$50.00

TRANSFER FEE \$35.00

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL) \$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.

METER TEST FEE \$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. THE FEE MAY NOT EXCEED \$25.

METER RELOCATION FEE Actual Relocation Cost, Not to Exceed Tap Fee

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

METER CONVERSION FEE Actual Conversion Cost, Not to Exceed Tap Fee

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS CHANGE OF SIZE OF AN EXISTING METER OR CHANGE IS REQUIRED BY MATERIAL CHANGE IN CUSTOMER'S SERVICE DEMAND.

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.

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. [30 TAC 24.21(K)(2)]

SECTION 1.0 -- RATE SCHEDULE (Continued)

PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE:

CHANGES IN FEE IMPOSED BY ANY NON-AFFILIATED THIRD PARTY WATER SUPPLIER OR UNDER GROUND WATER DISTRICT HAVING JURISDICTION OVER THE UTILITY SHALL BE PASSED THROUGH AS AN ADJUSTMENT TO THE WATER GALLONAGE CHARGE ACCORDING TO THE FOLLOWING FORMULA:

AG = $G / (1 - L)$, where
AG = adjusted gallonage charge, rounded to the nearest one cent;
G = new gallonage charge (per 1,000 gallons);
L = system average line loss for preceding 12 months, not to exceed 0.15