



Control Number: 47449



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TARIFF CONTROL NO. 47449

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**APPLICATION OF T&W WATER §
SERVICE FOR A PASS-THROUGH §
RATE CHANGE §**

PUBLIC UTILITY COMMISSION

OF TEXAS
PUBLIC UTILITY COMMISSION
REGULATORY DIVISION
HEARING CLERK

COMMISSION STAFF'S SUFFICIENCY RECOMMENDATION

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

I. BACKGROUND

On July 28, 2017, T&W Water Service (T&W) requested approval of a pass-through rate increase due to an increase in pumpage and import fees imposed on the utility by the San Jacinto River Authority (SJRA) for the utility's mandatory participation in SJRA's ground water reduction program. The requested effective date for the pass-through rate change is September 1, 2017.

On July 31, 2017, the Administrative Law Judge (ALJ) issued the Notice Setting Deadline for Staff's Recommendation, requiring Staff to file a recommendation on T&W's application, including sufficiency of notice and a proposed procedural schedule by August 18, 2017. Therefore, this pleading is timely filed.

II. STAFF'S RECOMMENDATION ON SUFFICIENCY AND PROPOSED NOTICE

Staff has reviewed T&W's application, and in accordance with Tex. Water Code, Chapter 13, and 16 Tex. Admin. Code §24.21 (TAC), and as supported by the attached memorandum of Janie Kohl of the Commission's Water Utility Regulation Division, Staff recommends that the application be deemed administratively incomplete and deficient. Staff recommends that T&W be required to remedy the deficiencies identified in the attached memorandum.

III. PROPOSED PROCEDURAL SCHEDULE

Staff proposes that T&W be allowed until September 22, 2017 to file their corrected notice and that Staff be allowed until October 13, 2017 to file a supplemental recommendation.

IV. CONCLUSION

Staff respectfully requests that the ALJ issue an order consistent with this Recommendation.

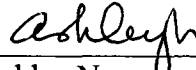
DATED: August 18, 2017

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Katherine Lengieza Gross
Managing Attorney

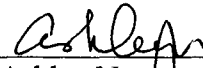


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CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on August 18, 2017, in accordance with 16 TAC § 22.74.



Ashley Nwonuma

PUC Interoffice Memorandum

To: Ashley Nwonuma
Legal Division

Thru: Debi Loockerman, Finance Manager
Water Utilities Division

From: Janie Kohl, Financial Analyst
Water Utilities Division

Date: August 18, 2017

Subject: **Tariff Control No. 47449**, *Application of T&W Water Service Company for a Pass-Through Rate Change*

Staff recommends that the application not be accepted for filing. On July 28, 2017, T&W Water Service Company (Applicant) filed a notice with the Public Utilities Commission (PUC) regarding its pass through charge increases for its pumpage, import, and surface water fees related to its Certificate of Convenience and Necessity (CCN) No. 12892 in Montgomery, Liberty, and Harris Counties.

The Applicant received notice from the San Jacinto River Authority (SJRA) of an increase to its pumpage and import fees of \$2.50 to \$2.64 per 1,000 gallons based on the SJRA Groundwater Reduction Plan (GRP). The SJRA GRP pumpage and import fees will be charged to all customers within the 20 subdivisions noted in the Applicant's tariff and are adjusted for a line loss of 8.2%. The increase resulted from the SJRA GRP annual adjustment, *Notification of Water Rate Adjustment, effective September 1, 2017*, which increased water rates by 5.6%. The increases in the pumpage and import fees result in pass through charge increases to customers for the twenty subdivisions as noted below.

Staff reviewed the application and draft notice with attachment submitted pursuant to 16 Tex. Admin. Code (TAC) §24.21(h). Staff noted the following errors in the application and notice that will need correction prior to re-issuance. The Applicant should file a copy of the revised notice with attachments and file proof of notice to cure these errors.

A. Required Language for Pass Through Notice to Customers:

The Applicant used required language based on rules previously in effect at the PUC. Pursuant to 16 Tex. Admin. Code (TAC) §24.21(b)(2)(E)(i)(VI), effective December 4, 2016, utilities are required to notice all customers of a pass through rate change with the following language which may be in the form of a billing insert:

"This tariff change is being implemented in accordance with the minor tariff changes allowed by 16 Texas Administrative Code §24.21. The cost to you as a result of this change will not exceed the costs charged to your utility."

B. Line Loss Calculation Error:

Line loss calculations represent total water purchased compared to total water sold. The Applicant calculated monthly line loss for the entire year and then averaged each month's line loss resulting in a 9.3% line loss and used a 9% line loss in their calculations.

The PUC requires that line loss be calculated using cumulative total water purchased compared to total water sold. Thus, line loss is calculated by Staff as follows:

Total Water Purchased	410,658
Total Water Sold	<u>377,004</u>
Water Lost	33,654
Line Loss	8.2%

C. Required Formula for Calculation of Pass Through Charges:

Increase to Existing Gallonage Charge for **Pumpage and Import Fees** (R) = (G) / [(1-L)],
where:

$$G = \text{New Gallonage Charge Per Supplier} = \$2.64$$

$$L = \text{water line loss for preceding 12 months, not to exceed 0.15 (15\%)} = 8.2\%$$

$$R = \$2.64 / (1 - 0.082)$$

$$R = \$2.64 / (0.918) = \mathbf{\$2.88}$$

The existing tariff charges plus the new pass through gallonage charge are as follows:

<u>Gallonage Tiers</u>	<u>Existing Charge</u>	<u>New Charge with Fees</u>
0 – 10,000 gallons	\$2.37	\$5.22
10,001 – 20,000 gallons	\$2.50	\$5.38
Over 20,001 gallons	\$3.00	\$5.88