



Control Number: 47625



Item Number: 3

Addendum StartPage: 0

**TARIFF CONTROL NO. 47625**

RECEIVED

**APPLICATION OF CYPRESSWOOD  
HILLS WATER, LLC TO  
IMPLEMENT A PASS-THROUGH  
CHANGE**

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§

**PUBLIC UTILITY COMMISSION**

**OF TEXAS**

2017 OCT 12 PM 4:34  
PUBLIC UTILITY COMMISSION  
OF TEXAS

### **COMMISSION STAFF'S RECOMMENDATION**

**COMES NOW** the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this Recommendation. In Support thereof, Staff shows the following:

#### **I. BACKGROUND**

On September 20, 2017, Cypresswood Estates Water System (Cypresswood) filed an application to implement a pass-through rate change in its tariff under Water Certificate of Convenience and Necessity (CCN) No. 12498. Cypresswood seeks to implement the pass-through provision as a result of an increase in charges from the San Jacinto River Authority (SJRA) for participation in SJRA's ground water reduction program. The rate increase will affect the Cypresswood Estates subdivision. The requested effective date for the pass-through rate change is October 2, 2017.

On September 25, 2017, the Administrative Law Judge (ALJ) issued a notice requiring Staff to file a supplemental recommendation on the sufficiency of the application on or before October 11, 2017. This pleading is therefore timely filed.

#### **II. STAFF'S RECOMMENDATION**

The Commission may approve certain minor changes' to a utility's tariff under the Commission's original jurisdiction.<sup>1</sup> Amongst these minor changes are pass-through provisions<sup>2</sup> and surcharges collected over an authorized time period for sampling fees, inspection fees, production fees, connection fees, and other governmental requirements beyond the control of the utility.<sup>3</sup>

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<sup>1</sup> 16 Tex. Admin. Code § 24.21(b)(2)(A).

<sup>2</sup> 16 TAC § 24.21(b)(2)(A)(vii).

<sup>3</sup> 16 TAC § 24.21(b)(2)(F)(ii).

Staff has reviewed Cypresswood's application, and as supported by the attached memorandum of Fred Bednarski of the Water Utilities Division, Staff recommends the application be deemed sufficient but that the pass-through provision be denied. Cypresswood's flat rate structure, including the requested pass-through increase, fails to adequately incentivize water conservation. In light of Cypresswood's financial situation, however, Staff recommends that the Commission approve, under 16 TAC § 24.21(b)(2)(F), a monthly surcharge equal to Cypresswood's requested pass-through rate, effective for one year beginning September 1, 2017 and ending August 31, 2018. Staff also recommends that Cypresswood be ordered to install meters and request a rate based upon a gallonage charge prior to August 31, 2018 and that Cypresswood be provided a copy of the approved tariff, which has been attached to this pleading.

### **III. CONCLUSION**

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

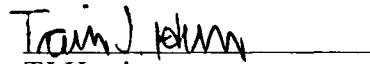
Dated: October 10, 2017

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF  
TEXAS  
LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

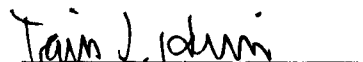
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**TARIFF CONTROL NO. 47625**

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on October 10, 2017 in accordance with 16 TAC § 22.74.

  
TJ Harris

# **Public Utility Commission of Texas**

## **Memorandum**

**To:** TJ Harris, Attorney  
Legal Division

**Through:** Tammy Benter, Director  
Debi Loockerman, Manager  
Water Utility Regulation Division

**From:** Fred Bednarski, Financial Examiner  
Water Utility Regulation Division

**Date:** October 10, 2017

**Subject:** **Tariff Control No. 47625;** *Application of Cypresswood Estates Water System to Implement a Pass-Through Rate Change in Montgomery County*

On September 20, 2017, Cypresswood Estates Water System (Cypresswood or Applicant), certificate of convenience and necessity (CCN) No. 12498, filed an application with the Public Utility Commission of Texas (PUC or Commission) for a new pass-through provision implementation pursuant to 16 Tex. Admin. Code § 24.21. The pass-through provision requested is intended to begin collecting from customers the well pumpage fees charged by San Jacinto River Authority (SJRA) for groundwater pumped from Cypresswood's well. Cypresswood subdivision is served by public water systems (PWS) No. 1700301 and is affected by the SJRA charges.

The pass-through pumpage fee charged by SJRA is \$2.64 per 1,000 gallons, effective September 1, 2017. Cypresswood proposes to be pass through the annual cost, based on historical gallons pumped from the well and the new effective rate, as a flat monthly rate of \$26.36 per connection. Staff recommends that the Commission find that the passing through of a gallonage rate cost by using a flat rate to the end user is not conducive to conservation, and may result in over-recovery of the gallonage charges billed by SJRA to Cypresswood.

Cypresswood's current water tariff, approved on January 25, 1991, contains one flat rate of \$10.00 per connection per month. Cypresswood has a well meter, but the 157 individual connections served are unmetered. Pursuant to 16 TAC § 24.89(a)(4), one meter is required for each residential, commercial, or industrial service connection. Additionally, pursuant to 16 TAC § 24.32(b)(1), "in order to encourage the prudent use of water or promote conservation, water and sewer utilities shall not apply rate structures which offer discounts or encourage increased usage within any customer class."

The pass-through request results in a flat rate of \$36.36 per connection per month for overall usage. Under this scenario, a user of 40,000 gallons is charged the same rate as a user of 2,000 gallons. Staff believes that the rate provides no incentive to conserve. Staff recommends that the Commission find that these requirements cannot be met without meters being installed.

The pumpage information supplied indicates that Cypresswood's average usage per connection per month exceeds 10,000 gallons (ignoring water loss). Texas Water Development Board publication *Water Use of Texas Water Utilities, January 1, 2015* indicated water usage for single-family residences was 232 for medium-sized utilities in Texas, or approximately 7,067 gallons per month. The average monthly usage of a Cypresswood customer clearly exceeds the Texas average, which indicates that the current rate is not providing encouragement to conserve.

Staff recommends that Cypresswood's request for a pass-through provision be denied. However, pursuant to 16 TAC 24.21(b)(2)(F), Cypresswood may recover the SJRA fees as a surcharge, which Staff supports for a one year period, due to financial concerns for the Applicant. In summary, Staff recommends that the Commission:

1. Deny the pass-through provision as requested in the Application.
2. Approve a \$26.36 per connection per month surcharge effective September 1, 2017 and ending August 31, 2018.
3. Require Cypresswood to install meters and request a metered rate along with a pass-through provision based on a gallonage charge prior to August 31, 2018.
4. Provide a copy of the attached approved tariff to the Applicant.



## **WATER UTILITY TARIFF**

### **Tariff Control No. 47625**

Drew T. Spencer dba Cypresswood Estates Water System  
(Utility Name)

P.O. Box 2302  
(Business Address)

Conroe, TX 77305  
(City, State, Zip Code)

(409) 760-3111  
(Area Code/Telephone)

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

12498

This tariff is effective in the following counties:

Montgomery

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

None

This tariff is effective in the following subdivisions or systems:

Cypresswood Estates (PWS #1700301)

#### **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):

SECTION 1.0 -- RATE SCHEDULE.....	2
SECTION 2.0 -- SERVICE RULES AND POLICIES .....	4
SECTION 3.0 -- EXTENSION POLICY .....	11

APPENDIX A - DROUGHT CONTINGENCY PLAN

APPENDIX B - SAMPLE SERVICE AGREEMENT

APPENDIX C - APPLICATION FOR SERVICE

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Flat Rate</u>
Same for all meter sizes	<u>\$15.00</u>

\*Additional Surcharge Fee

San Jacinto River Authority (SJRA) Fee..... \$26.36 per connection/per month  
(Authorized from October 1, 2017 through September 30, 2018) (***Tariff Control No. 47625***)

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

Cash X, Check X, Money Order   , 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.....\$300.00  
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.

METER TEST FEE .....N/A  
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.

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).....N/A  
b) Customer's request that service be disconnected.....N/A

LATE CHARGE.....N/A  
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.

RETURNED CHECK CHARGE .....N/A  
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50).....N/A

**Tariff Control No. 47625**



SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Flat Rate</u>
Same for all meter sizes	<u>\$10.00</u>

\*Additional Surcharge Fee

San Jacinto River Authority (SJRA) Fee..... \$26.36 per connection/per month  
(Authorized from October 1, 2017 through September 30, 2018) (***Tariff Control No. 47625***)

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

Cash X, Check X, Money Order   , 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.....\$75.00  
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.

METER TEST FEE .....N/A  
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.

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS  
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2.0 OF THIS TARIFF):

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

LATE CHARGE.....N/A  
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.

RETURNED CHECK CHARGE .....N/A  
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50).....N/A