



Control Number: 47680



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PUBLIC UTILITY COMMISSION  
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# OPEN MEETING COVER SHEET

## COMMISSIONER MEMORANDUM

**MEETING DATE:** January 17, 2019

**DATE DELIVERED:** January 16, 2019

**AGENDA ITEM NO.:** 3

**CAPTION:** Docket No. 47680; SOAH Docket No. 473-18-1906.WS - Application of Bolivar Utility Services, LLC for Authority to Change Sewer Rates

**ACTION REQUESTED:** Discussion and possible action with respect to Chairman Walker Memorandum

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Chairman

**Arthur C. D'Andrea**  
Commissioner

**Shelly Botkin**  
Commissioner

**John Paul Urban**  
Executive Director



**Greg Abbott**  
Governor

## *Public Utility Commission of Texas*

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

All Parties of Record (*via electronic transmission*)

FROM: Carlos Carrasco *CC*  
Commission Advising

RE: *Application of Bolivar Utility Services, LLC for Authority to Change Sewer Rates,*  
Docket No. 47680, January 17, 2019 Open Meeting, Item No. 3

DATE: January 16, 2019

Please find enclosed a memorandum by Chairman Walker regarding the above-referenced docket. No other commissioner will file a memorandum in this docket.

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# Public Utility Commission of Texas

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## Memorandum

**TO:** Commissioner Arthur C. D'Andrea  
Commissioner Shelly Botkin

**FROM:** Chairman DeAnn T. Walker *DTW*

**DATE:** January 16, 2019

**RE:** Open Meeting of January 17, 2019 – Agenda Item No. 3  
Docket No. 47680 – *Application of Bolivar Utility Services, LLC for Authority to Change Sewer Rates*

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After reviewing the agreement of the parties, the proposed order, and Bolivar's responses to the Commission's questions regarding its financial capabilities and additional sources of revenue, I have a concern that I need to have addressed before I am comfortable approving this settlement agreement. My concern with the proposed order is with finding of fact 22, which reads as follows:

22. Under the agreement, Bolivar's revenue requirement and rate of return are not determined, but the parties agreed that Bolivar's cost of service exceeds the maximum revenue generated by the agreed rates.

A utility's revenue requirement cannot be separated from the utility's rate. They are, in essence, the same number in a different form. A revenue requirement is the foundation on which rates are based. Rates are simply a disaggregation of the revenue requirement by function, rate class, type of charge (usually fixed or variable), or other criteria divided by a billing determinant. Accordingly, in fixing a sewer utility's rates under the Texas Water Code, the Commission is also required to "fix [the utility's] revenues" at a level that will permit the utility to earn a reasonable return and recover its operating expenses, and preserve its financial integrity.<sup>1</sup>

Bolivar proposes to recover its revenue requirement through a fixed charge, based on customer count, and a variable (volumetric) charge. Bolivar seeks to recover \$345,600 in fixed charges through a \$40 per month charge for each of its 720 customers. Bolivar further seeks to recover \$176,774 in variable charges through a charge of \$6 per 1,000 gallons, based on 29,462 gallons. Thus, based on the number of customers and volume of usage, the proposed \$40 per month per customer charge and \$6 per 1,000 gallon charge is equivalent to a \$522,374 revenue requirement. Thus, I would change the proposed order to delete finding of fact 22, add findings of fact to reflect this revenue requirement, and add a conclusion of law that the

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<sup>1</sup> Tex. Water Code § 13.183(a).

revenue requirement as set by the Commission complies with section 13.183 of the Texas Water Code.

This is not the revenue requirement Bolivar requested in its application, which is \$2,066,758.<sup>2</sup> Bolivar witness Charles Loy stated that the short fall could be made up with developer contributions and interest-free loans from its parent, Allco LLC.<sup>3</sup> However, Allco has made no loans to Bolivar and developer contributions are not available as those funds are required under Bolivar's tariff to be used to pay for the facilities required to provide service. Further, the facilities paid for with developer contribution or costs in aid of construction may not be included in the utility's cost of service.

Alternatively, the Commission can remand this proceeding to the parties and give them an opportunity to reach an agreement on Bolivar's revenue requirement. If the Commission decides to select this option, then I would encourage the parties to enter into a new settlement agreement that contains information and findings of fact that establish Bolivar's revenue requirement and cost of service in accordance with the Texas Water Code's mandate.

I look forward to discussing this matter with you at the open meeting.

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<sup>2</sup> Application at 10 (Oct. 9, 2017).

<sup>3</sup> Direct Testimony of Charles E. Loy at 4-5 (Apr. 2, 2018).