

Control Number: 47831



Item Number: 3

Addendum StartPage: 0

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

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§  
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**PUBLIC UTILITY COMMISSION** 2017 DEC 28 AM 9:35

**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 would show the following:

#### **I. BACKGROUND**

On December 4, 2017, T&W Water Service Company (T&W), Certificate of Convenience and Necessity No. 12892, filed an application for a pass-through rate change pursuant to 16 Tex. Admin. Code § 24.21 (TAC). Specifically, T&W requested approval of a pass-through rate increase to recover part of the increase of the water use fee to be imposed on the utility by the Lone Star Groundwater Conservation District (LSGCD) beginning January 1, 2018. T&W proposed an effective date of January 1, 2018.

Notice Setting Deadline for Staff's Recommendation, issued on December 7, 2017, required Staff to file a recommendation by December 29, 2017. This pleading is timely filed.

#### **II. STAFF'S RECOMMENDATIONS**

Staff has reviewed T&W's application and proposed notice in light of the requirements of 16 TAC § 24.21(b)(2)(E) and determined they comply with the applicable rules. Staff recommends both be deemed sufficient. Furthermore, as supported by the attached memorandum of Fred Bednarski of the Commission's Water Utility Regulation Division, Staff recommends approval of T&W's application for a pass-through rate increase. Staff also recommends that T&W be provided a copy of the updated tariff and that an order granting the application contain the following language: "T & W Water Service Company shall separate the pass-through charges from the gallonage charge in future tariffs when a general rate change is requested such that reconciliation of the pass-through revenues with the actual expenses is possible."

### **III. COMMENTS ON PROCEDURAL SCHEDULE**

In accordance with the recommendation for approval of T&W's pass-through rate increase, Staff does not propose a procedural schedule.

### **IV. CONCLUSION**

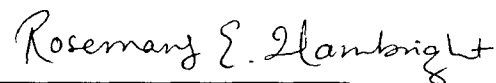
Staff recommends approval of T&W's application for a pass-through rate change.

Respectfully Submitted,

#### **PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

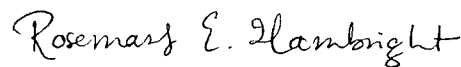
Stephen Mack  
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### **TARIFF CONTROL NO. 47831 CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on December 29, 2017, in accordance with 16 TAC § 22.74.

  
Rosemary E. Hambright

## PUC Interoffice Memorandum

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**To:** Rosemary Hambright  
Legal Division

**Thru:** Debi Loockerman, Finance Manager  
Water Utility Regulation Division

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

**Date:** December 29, 2017

**Subject:** **Tariff Control No. 47831**, *Application T & W Water Service Company for a Pass-Through Rate Change*

On December 04, 2017, T & W Water Service Company (TWWSC or Applicant), Certificate of Convenience and Necessity (CCN) No. 12892, filed an application with the Public Utility Commission of Texas (PUC) to implement an adjustment of its pass-through gallonage charge pursuant to 16 Tex. Admin. Code § 24.21(b)(2) (TAC). The pass-through reflects the increases in the groundwater use fees charged by Lone Star Groundwater Conservation District (LSGCD) that TWWSC is required to pay. The following water systems (PWSs) are affected by the LSGCD groundwater fee increase:

- Deer Run (PWS No. 1700700)
- Emerald Lakes (PWS No. 1700777)
- Falls of Wildwood (PWS No. 1700673)
- Gemstone Estates (PWS No. 1700608)
- Grand Harbor (PWS No. 1700643)
- Harborside (PWS No. 1700682)
- Hidden Springs Ranch (PWS No. 1700696)
- Millers Crossing (PWS No. 1700675)
- Old Mill Lake (PWS No. 1700662)
- Rio Vista (PWS No. 1700778)
- Riverwalk (PWS No. 1700604)
- Southwind Ridge (PWS No. 1700659)
- Sunrise Ranch (PWS No. 1700686)
- Thousand Oaks (PWS No. 1700635)

The new pass-through rate for LSGCD is effective on January 1, 2018 and is \$0.105 per 1,000 gallons. TWWSC already includes \$0.06 of the pass-through rate in its gallonage charge. The inclusion was approved in TCEQ Docket No. 2008-1403-UCR and the line loss is 7.6%. Therefore, using the formula in 16 TAC § 24.21(b)(2)(D), the new pass-through gallonage fee is \$0.05 per 1,000 gallons.

$G/(1-L)$ , where G equals the new gallonage rate by source supplier and L equals the line loss reflected as a percentage expressed in decimal format.

$$(\$0.105 - \$0.06) / (1 - .076) = \$0.05$$

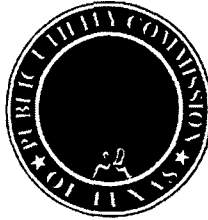
Staff recommends that the Commission:

1. Require the Applicant to provide notice of the pass-through increase to affected customers;
2. Approve the pass-through gallonage rate increase requested in the Application; and
3. Provide a copy of the approved tariff to the Applicant.

Staff notes that a portion of the pass-through charge is included in the existing approved gallonage charge. A pass-through charge is allowed to recover only actual costs from the pass-through provider. Transparency in rate making is enhanced by the separation of a pass-through charge from the gallonage charge so that the cost of service and passed through expenses may be compared and “trued up” with the appropriate revenues in future rate cases. However, statutory provisions do not allow the rate structure to be modified in this docket without providing proper notice of intent to change rates and going through a rate/tariff change application. Therefore, Staff requests the following language in the order:

T & W Water Service Company shall separate the pass-through charges from the gallonage charge in future tariffs when a general rate change is requested such that reconciliation of the pass-through revenues with the actual expenses is possible.

Accordingly, Staff recommends approval of the application, with the above provision included in the order. Staff’s recommended tariff is attached to this memo.



## WATER UTILITY TARIFF Tariff Control Number 47831

T & W Water Service Company  
(Utility Name)

12284 FM 3083  
(Business Address)

Conroe, Texas 77301  
(City, State, Zip Code)

281-367-9566, 800-256-2636  
(Area Code/Telephone)

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

12892

This tariff is effective in the following county:

Montgomery, Harris, Liberty

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

City of Conroe

**The rates set or approved by the city for the systems entirely within its corporate boundary are not presented in this tariff. Those rates are not under the original jurisdiction of the PUC and will have to be obtained from the city or utility.**

This tariff is effective in the following subdivisions or systems:

See attached List of Subdivisions

### 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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APPENDIX A -- DROUGHT CONTINGENCY PLAN

| <b>List of Subdivisions</b>   |         |            |
|---|---------|------------|
| Deer Run  | 1700700 | Montgomery |
| Emerald Lakes   | 1700777 | Montgomery |
| Encino Estates  | 1460187 | Liberty    |
| Falls of Wildwood   | 1700673 | Montgomery |
| Gemstone Estates  | 1700608 | Montgomery |
| Grand Harbor  | 1700643 | Montgomery |
| Harborside  | 1700682 | Montgomery |
| Hidden Springs Ranch  | 1700696 | Montgomery |
| Hydies Crossing   | 1013180 | Harris     |
| Millers Crossing  | 1700675 | Montgomery |
| Oaks of Trinity   | 1460156 | Liberty    |
| Old Mill Lake   | 1700662 | Montgomery |
| Rio Vista (inside city limits of Patton Village, however they surrendered jurisdiction) | 1700778 | Montgomery |
| Riverwalk   | 1700604 | Montgomery |
| Southwind Ridge   | 1700659 | Montgomery |
| Splendora Woods   | 1460153 | Liberty    |
| Spring Forest Estates   | 1460153 | Liberty    |
| Spring Oaks   | 1460157 | Liberty    |
| Sunrise Ranch   | 1700686 | Montgomery |
| The Ranch   | 1460154 | Liberty    |
| Thousand Oaks   | 1700635 | Montgomery |

## SECTION 1.0 -- RATE SCHEDULE

Section 1.01 – Rates

| MONTHLY BASE RATE<br>BY METER SIZE<br>(INCLUDES 0 GALLONS) | Year 1   | Year 2   |
|--|----------|----------|
| 5/8 x 3/4"   | \$25.00  | \$22.00  |
| 1"   | \$46.88  | \$55.00  |
| 1½"  | \$85.93  | \$110.00 |
| 2"   | \$148.44 | \$176.00 |
| 3"   | \$179.69 | \$352.00 |
| GALLONAGE CHARGE PER<br>1000 GALLONS                       |          |          |
| 0 - 10,000<br>GALLONS                                      | \$2.24   | \$2.37 * |
| 10,000 - 20,000 GALLONS                                    | \$2.34   | \$2.50 * |
| > 20,000<br>GALLONS  | \$2.66   | \$3.00 * |

**\* PLUS – Pass-Through Fees apply to all Gallonage Used:**

\* In addition to the gallonage rate, this Pass-Through Fees applies to all gallonage used in Montgomery County per San Jacinto River Authority (SJRA) minimum gallonage usage requirements: *The new pass through rate was calculated to be \$2.88, as limited by the notice provided to customers in PUC Docket 47449. The current SJRA GRP fee is \$2.64 divided (1 – 0.082) for line loss, or \$2.88 (rounded).*

\* In addition to the gallonage rate, this Pass-Through Fees applies to all gallonage used in Montgomery County per the Lone Star Groundwater Conservation District (LSGCD) as follows: *The new pass through rate was calculated to be \$0.05 by the notice provided to customers in PUC Docket 47831. The remainder of the LSGCD current gallonage pass through fee of \$0.105 is \$0.06 and is included in the current gallonage charges per TCEQ Docket No. 2008-1403-UCR.*

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

Cash   , 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 REMIT TO THE TCEQ.

Section 1.02 - Miscellaneous Fees

TAP FEE.....\$750.00  
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.

**Tariff Control No. 47831**



## SECTION 1.0 -- RATE SCHEDULE (Continued)

TAP FEE.....\$950.00  
 TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 1" 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.

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 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.

## 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) Non payment of bill (Maximum \$25.00).....\$25.00
- b) Other than nonpayment.....\$40.00

TRANSFER FEE .....\$40.00  
 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.

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

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

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

## 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. [16 TAC 24.21(b)(2)(F)]

## 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.

SECTION 1.0 – RATE SCHEDULE (Continued)

**PURCHASED WATER/UNDERGROUND WATER DISTRICT FEE PASS THROUGH PROVISION CLAUSE:** For Utilities subject to changes in costs imposed by any non-affiliated provider of purchased water or sewer or a groundwater conservation district having jurisdiction over the Utility, these increases (decreases) shall be passed through as an adjustment to the gallonage charge according to the formula:

$AG = G / (1-L)$ , Where:

AG = adjusted gallonage charge, rounded to nearest one cent

G = district's or purchased water provider's new approved gallonage charge, per 1,000 gallons

L = water or sewer line loss for preceding 12 months, not to exceed 0.15 (15%)

To implement or modify the Purchased Water/Underground Water District Fee, the utility must comply with all notice and other requirements of 16 TAC § 24.21 (I).