



Control Number: 47976



Item Number: 1126

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DeAnn T. Walker
Chairman
Arthur C. D'Andrea
Commissioner
Shelly Botkin
Commissioner
John Paul Urban
Executive Director



Greg Abbott
Governor

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PUBLIC UTILITY COMMISSION
CLERK

Public Utility Commission of Texas

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

All Parties of Record

FROM: Office of Policy & Docket Management

RE: **Open Meeting of July 18, 2019**
PUC Docket No. 47976
SOAH Docket No. 473-18-3006.WS – *Application of Liberty Utilities (Silverleaf Water) LLC for Authority to Change Rates*

DATE: June 28, 2019

Enclosed is a copy of the Proposed Order in the above-referenced docket. The Commission will consider this docket at an open meeting presently scheduled to begin at 9:30 a.m. on Thursday, July 18, 2019, at the Commission's offices, 1701 North Congress Avenue, Austin, Texas. The parties shall file corrections or exceptions to the Proposed Order on or before Wednesday, July 10, 2019.

On April 3, 2018, the Commission referred this proceeding to the State Office of Administrative Hearings. Subsequently, the docket was returned to the Commission.

If there are no corrections or exceptions, no response is necessary.

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**PUC DOCKET NO. 47976
SOAH DOCKET NO. 473-18-3006.WS**

APPLICATION OF LIBERTY	§	PUBLIC UTILITY COMMISSION
UTILITIES (SILVERLEAF WATER)	§	
LLC FOR AUTHORITY TO CHANGE	§	OF TEXAS
WATER AND SEWER RATES	§	

PROPOSED ORDER

This Order addresses the application of Liberty Utilities (Silverleaf Water) LLC for authority to change its water and sewer rates and tariffs under water certificate of convenience and necessity (CCN) number 13131 and sewer CCN number 20815 in Smith, Wood, Montgomery, and Comal counties. Liberty Silverleaf filed a unanimous agreement that resolves certain issues between the parties in this proceeding. The Commission approves Liberty Silverleaf's changes in water and sewer rates and associated tariffs, as modified by the agreement and this Order.

I. Findings of Fact

The Commission makes the following findings of fact:

Applicant

1. Liberty Silverleaf is a domestic for-profit limited liability company with authority to transact business in the state of Texas and a wholly owned subsidiary of Liberty Utilities (Sub) Corp.
2. Liberty Utilities (Sub) Corp. is incorporated under the laws of the state of Delaware and is a wholly owned subsidiary of Liberty Utilities Co., a Delaware corporation that operates regulated gas, water, sewer, and electric utilities in Arizona, Arkansas, California, Georgia, Illinois, Iowa, Massachusetts, Missouri, Montana, New Hampshire, and Texas.
3. Liberty Utilities Co. is a subsidiary of Liberty Utilities (Canada) Corp.
4. Algonquin Power & Utilities Corp., a publicly traded member of the New York and Toronto Stock Exchanges, ultimately owns all of the Liberty Utilities entities, including Liberty Silverleaf.

5. Liberty Silverleaf is a class B utility providing retail water and sewer utility services to approximately 3,000 active water customer connections under CCN number 13131, and approximately 1,200 active sewer customer connections under CCN number 20815.
6. Liberty Silverleaf operates the following four separate utility systems: (a) the Villages/Big Eddy systems in Smith County; (b) Holly Lake Ranch system in Wood County; (c) Piney Shores Resort system in Montgomery County; and (d) the Hill Country Resort system in Comal County.
7. The Canyon Park Estates Wastewater Treatment Plant, owned by the Guadalupe Blanco River Authority, is located approximately 125 feet from Liberty Silverleaf's certificated service area and supplies at least 160,000 per day of treatment capacity for the Hill Country Resort system.
8. Silverleaf Resorts, Inc. is the sole water and sewer customer in the Piney Shores Resort and Hill Country Resort systems and a customer in the Holly Lake Ranch and Villages/Big Eddy systems.
9. Liberty Silverleaf's existing tariffs include a consolidated water rate for all four systems and a consolidated sewer rate for all four systems, except for the customers in the Holly Lake Ranch Quad. The consolidated rates were approved by the Texas Commission on Environmental Quality as part of a settlement agreement reached in Docket No. 2009-2087-UCR.

Application

10. On March 19, 2018, Liberty Silverleaf filed a class B rate and tariff change application to increase water and sewer rates in Smith, Wood, Montgomery, and Comal counties.
11. Liberty Silverleaf's application was based on a test year ending December 31, 2017, adjusted for known and measurable changes, as defined in 16 Texas Administrative Code (TAC) §§ 24.3(72) and 24.3(32), respectively.
12. Liberty Silverleaf requested an overall annual revenue requirement of \$5,393,965, which represented an annual increase of \$1,344,257. Specifically, Liberty Silverleaf requested an annual revenue requirement of \$3,000,226 for water service, which represented a

requested annual increase of \$1,238,328. Additionally, Liberty Silverleaf requested an annual revenue requirement of \$2,393,739 for sewer service, which represented a requested annual increase of \$105,929.

13. In SOAH Order No. 4 issued on June 12, 2018, the State Office of Administrative Hearings (SOAH) administrative law judge (ALJ) found the application administratively complete and suspended the effective date of the proposed rates for no more than 265 days from the date the proposed rates would otherwise be effective under Texas Water Code (TWC) § 13.1871, or March 4, 2019.

Notice

14. On March 19, 2018, Liberty Silverleaf provided, by United States mail or hand-delivery to each customer of Liberty Silverleaf, a notice of the proposed rate change for Liberty Silverleaf's Hill Country Resort, Holly Lake Ranch and Woodland Village, Piney Shores Resort, and the Villages/Big Eddy systems and service areas.
15. On March 19, 2018, Liberty Silverleaf filed the affidavit of Todd Wiley, secretary and treasurer of Liberty Silverleaf, attesting that notice of the proposed rate change was provided by United States mail or hand-delivery to each customer of Liberty Silverleaf.
16. On July 13, 2018, Liberty Silverleaf filed the affidavit of Todd Wiley, secretary and treasurer of Liberty Silverleaf, attesting that notice of the July 27, 2018 prehearing conference was mailed to all of its customers on July 6, 2018.

Protests and Interventions

17. From March 26, 2018 to May 22, 2018, more than 880 affected ratepayers filed protests, which was an amount greater than 10% of the total active Liberty Silverleaf customer connections at the time of filing the application.
18. On March 26, 2018, Silverleaf Resorts filed a motion to intervene.
19. On March 29, 2018, the Office of Public Utility Counsel (OPUC) filed a motion to intervene.
20. In Order No. 2 issued on April 2, 2018, the Commission ALJ granted Silverleaf Resorts, Inc.'s motion to intervene.

21. In SOAH Order No. 1 issued on April 19, 2018, the SOAH ALJ granted OPUC's motion to intervene.
22. In SOAH Order No. 2 issued on April 27, 2018, the SOAH ALJ granted Holly Lake Ranch Association's and the City of Tyler's motions to intervene.
23. In SOAH Order No. 10, issued on August 8, 2018, the SOAH ALJ granted Liberty Residential Water Association's motion to intervene at the prehearing conference held on July 27, 2018.

Referral to SOAH

24. On April 3, 2018, the Commission referred this case to SOAH because over 10% of the affected ratepayers had filed a protest of the proposed changes in rates.
25. In SOAH Order No. 1 issued on April 19, 2018, the SOAH ALJ described the case, suspended the effective date of the rates, established jurisdiction, and discussed other general procedural requirements for this case.
26. On May 10, 2018, the Commission issued a preliminary order.
27. In SOAH Order No. 5 issued on June 14, 2018, the SOAH ALJ required the parties to provide an agreed upon procedural schedule no later than one week after the date of Order No. 5, based on an effective date of March 4, 2019. Alternatively, if the parties were unable to reach an agreement, the parties were required to notify the SOAH ALJ by the required date.
28. In SOAH Order No. 6 issued on June 26, 2018, the SOAH ALJ set July 27, 2018 as the deadline to intervene and scheduled a telephonic prehearing conference for July 17, 2018.
29. In SOAH Order No. 8 issued on July 2, 2018, the SOAH ALJ cancelled the telephonic prehearing conference and scheduled a live prehearing conference for July 27, 2018.
30. On July 27, 2018, SOAH conducted a prehearing conference in this docket.
31. In SOAH Order No. 10 issued on August 8, 2018, the SOAH ALJ memorialized Liberty Silverleaf's agreement to extend the effective date of the proposed rate change to June 28, 2019, established a procedural schedule, and gave notice of the convening of a

hearing on the merits at SOAH's offices in Austin beginning at 9:00 a.m. on January 15, 2019.

32. On January 8, 2019, Liberty Silverleaf filed an unopposed motion for abatement, requesting time to continue settlement discussions and cancellation of the hearing on the merits.
33. In SOAH Order No. 13 issued on January 8, 2019, the SOAH ALJ granted the unopposed motion to abate, cancelled the hearing on the merits, and required the parties to file a status report by January 25, 2019.
34. On January 25, 2019, Liberty Silverleaf filed, on behalf of the parties, a status report and requested continued abatement of the case to pursue settlement discussions.
35. In SOAH Order No. 14 issued on January 28, 2019, the SOAH ALJ continued abatement of the matter and required the parties to file a status report by February 8, 2019.
36. On February 8, 2019, Liberty Silverleaf filed, on behalf of the parties, a second status report and requested continued abatement of the case to pursue settlement discussions.
37. In SOAH Order No. 15 issued on February 12, 2019, the SOAH ALJ continued abatement of the matter and required the parties to file a status report by February 22, 2019.
38. On February 22, 2019, Liberty Silverleaf filed, on behalf of the parties, a third status report and indicated that an agreement in principle had been reached but requested continued abatement until March 28, 2019, to document the agreement and prepare final approval documents.
39. In SOAH Order No. 16 issued on February 25, 2019, the SOAH ALJ continued abatement of the matter and required the parties to file, by March 28, 2019, a status report or the documents needed to resolve the case without a hearing.
40. On March 28, 2019, Liberty Silverleaf filed, on behalf of the parties, a fourth status report and requested continued abatement of the case until April 18, 2019, to document their agreement and prepare final approval documents.

41. In SOAH Order No. 17 issued on March 29, 2019, the SOAH ALJ continued abatement of the matter and required the parties to file, by April 18, 2019, a status report or documents needed to resolve the case without a hearing.
42. On April 18, 2019, Liberty Silverleaf filed, on behalf of the parties, a fifth status report and requested continued abatement of the case until May 15, 2019, to document their agreement and prepare final approval documents. The parties committed to file their agreement along with a motion for interim rates. Liberty Silverleaf and Commission Staff further committed to filing their testimony in support of the agreement by May 15, 2019.
43. In SOAH Order No. 18 issued on April 23, 2019, the SOAH ALJ continued abatement of the matter and required the parties to file, by May 15, 2019, a status report or documents needed to resolve the case without a hearing.
44. On May 6, 2019, Liberty Silverleaf filed an agreement that resolves certain issues among the parties to this proceeding.
45. On May 15, 2019, Liberty Silverleaf filed, on behalf of the parties, a sixth status report and requested continued abatement of the case until May 17, 2019, to prepare the final documents needed to implement the agreement.
46. On May 16, 2019, Liberty Silverleaf filed, on behalf of the parties, a joint notice of corrected agreement exhibits.
47. On May 17, 2019, Liberty Silverleaf filed, on behalf of the parties, a joint motion to admit evidence and remand the proceeding to the Commission.
48. In SOAH Order No. 20 issued on May 20, 2019, the SOAH ALJ dismissed the SOAH docket and returned the matter to the Commission.

Testimony

49. On March 19, 2018, Liberty Silverleaf filed the direct testimonies of Matthew Garlick, Gaetana Girardi, Thomas J. Bourassa, and Todd Wiley as part of the rate application.
50. On April 17 and 20, 2018, Liberty Silverleaf filed workpapers and an explanation for the water and sewer rate increase.

51. On October 5, 2018, OPUC filed the direct testimonies of Chris Ekrut and Anjuli Winker, Silverleaf Resorts filed the direct testimonies of William Stannard and Michael J. Brown, Liberty Residential Water Association filed the direct testimony and workpapers of Marvin Lindsay Sneed, and Holly Lake Ranch Association filed the direct testimony of Rodney Duplechain.
52. On October 8, 2018, OPUC filed the workpapers associated with Mr. Ekrut's and Ms. Winker's direct testimonies.
53. On October 12, 2018, OPUC filed an errata to Mr. Ekrut's direct testimony.
54. On October 18, 2018, Silverleaf Resorts filed the workpapers associated with Mr. Stannard's direct testimony.
55. On October 26, 2018, Commission Staff filed the direct testimonies of Emily Sears, Fred Bednarski III, Patricia Garcia, and Debi Loockerman. Commission Staff also filed the workpapers associated with the direct testimonies of Ms. Sears, Mr. Bednarski, and Ms. Garcia.
56. On December 6, 2018, Liberty Silverleaf filed the rebuttal testimonies of Matthew Garlick, Gaetana Girardi, Thomas J. Bourassa, Leticia Washington, and Todd Wiley.
57. On December 7, 2018, Liberty Silverleaf filed the workpapers associated with Mr. Bourassa's, Mr. Garlick's, and Ms. Washington's rebuttal testimonies.
58. On May 16, 2019, Liberty Silverleaf filed the testimony of Matthew Garlick in support of the agreement.
59. On May 17, 2019, Commission Staff filed the testimony of Patricia Garcia in support of the agreement.

Evidentiary Record

60. In SOAH Order No. 20 issued on May 20, 2019, the SOAH ALJ admitted the following evidence into the record:
 - (a) Liberty Silverleaf's application, proof of application notice, and direct testimonies of Thomas J. Bourassa, Matthew Garlick, Gaetana Girardi, and Todd Wiley, filed on March 19, 2018;

- (b) Liberty Silverleaf's workpapers in support of the application, filed on April 17, 2018, and April 20, 2018;
- (c) Liberty Silverleaf's proof of notice of the prehearing conference, filed on July 13, 2018;
- (d) the direct testimonies and workpapers of OPUC witnesses Chris Ekrut and Anjuli Winker and the errata to the direct testimony of Chris Ekrut, filed on October 12, 2018;
- (e) the direct testimonies of Silverleaf Resorts witnesses Michael J. Brown and William Stannard, filed on October 5, 2018, and the workpapers of William Stannard, filed on October 18, 2018;
- (f) the direct testimony of Holly Lake Ranch Association witness Rodney Duplechain, filed on October 5, 2018;
- (g) the direct testimony and workpapers of Liberty Residential Water Association witness Marvin Lindsay Sneed, filed on October 5, 2018;
- (h) the direct testimonies and workpapers of Commission Staff witnesses Fred Bednarski, III, Patricia Garcia, and Emily Sears and the direct testimony of Debi Loockerman, filed on October 26, 2018;
- (i) the rebuttal testimonies of Liberty Silverleaf witnesses Thomas J. Bourassa, Matthew Garlick, Leticia Washington, Gaetana Girardi, and Todd Wiley, filed on December 6, 2018 and the workpapers of Thomas J. Bourassa, Matthew Garlick, and Leticia Washington, filed on December 7, 2018;
- (j) joint notice of agreement and motion to set interim rates, including the agreement and attachments, filed on May 6, 2019;
- (k) joint notice of corrected agreement exhibits, filed on May 16, 2019;
- (l) the testimonies of Liberty Silverleaf witness Matthew Garlick, filed on May 16, 2019, and Commission Staff witness Patricia Garcia in support of the agreement filed on May 17, 2019; and

(m) the proposed final order and joint motion to admit evidence and remand, filed on May 17, 2019.

Description of the Agreement

61. The parties agree that Liberty Silverleaf's four separate utility systems will be deconsolidated into two systems solely for ratemaking and tariff purposes.
62. The first system consists of the Holly Lake Ranch system and the Villages/Big Eddy systems, and the second system consists of the Piney Shores Resort system and the Hill Country Resort system.
63. Each system consolidated for ratemaking and tariff purposes is substantially similar in terms of facilities, quality of service, and cost of service.
64. The parties agree that Liberty Silverleaf will implement the retail water and sewer utility rates contained in the water and sewer tariffs attached to the agreement as exhibits C and D, respectively.
65. The rates resulting from the agreement promote water conservation for single-family residences and landscape irrigation.
66. Under the rates provided in the agreement, Liberty Silverleaf will recover a total annual water revenue requirement in the amount of \$2,138,196, which represents an increase of \$376,298. By system, Liberty Silverleaf will recover \$1,594,323 for the Holly Lake Ranch and the Villages/Big Eddy systems and \$543,873 for the Piney Shores Resort and Hill Country Resort systems.
67. Under the rates provided in the agreement, Liberty Silverleaf will recover a total annual sewer revenue requirement in the amount of \$1,826,612, which represents a decrease of \$461,198. By system, Liberty Silverleaf will recover \$849,590 for the Holly Lake Ranch and the Villages/Big Eddy systems and \$977,022 for the Piney Shores Resort and Hill Country Resort systems.
68. Corrected exhibit A to the agreement provides the rate base schedules, and corrected exhibit B to the agreement provides the list of facilities used and useful in providing utility

service as of July 13, 2018, which must be binding in future rate cases for the purposes of determining Liberty Silverleaf's total rate base as of July 13, 2018.

69. The agreement provides a total balance of accumulated deferred federal income tax (ADFIT) in the amount of \$1,008,178, which includes balances of \$588,181 for water and \$419,997 for sewer.
70. The agreement provides a total balance of excess ADFIT in the amount of \$624,110, which includes \$364,112 for water and \$259,998 for sewer.
71. Liberty Silverleaf agrees to continue to amortize its excess ADFIT amounts through the agreed rates, to continue to track the amortization of excess ADFIT on its regulatory books, and to retain the net excess ADFIT regulatory liability on its books until fully amortized.
72. The agreement provides a total water rate base in the amount of \$5,412,829. By system, Liberty Silverleaf's water rate base is \$3,322,855 for the Holly Lake Ranch and the Villages/Big Eddy systems and \$2,089,974 for the Piney Shores Resort and Hill Country Resort systems.
73. The agreement provides a total sewer rate base in the amount of \$3,828,750. By system, Liberty Silverleaf's sewer rate base is \$1,567,810 for the Holly Lake Ranch and the Villages/Big Eddy systems and \$2,260,940 for the Piney Shores Resort and Hill Country Resort systems.
74. The sewer rate base for the Piney Shores Resort and Hill Country Resort systems provided in the agreement includes the capacity reserve supplied by Guadalupe Blanco River Authority at an original cost of \$2,245,000 and an in-service date of June 1, 2010, less accumulated amortization as calculated using a 20-year term, which is equal to \$1,403,125.
75. The parties agree that the refund of the regulatory liability required by the Commission's *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act on the Rates of Texas Investor-Owned Utility Companies*, Project No. 47945, Second Accounting Order (Aug. 30, 2018), related to the change in income tax expense from a 35% to 21% rate for the period between August 30, 2018 and the effective date of rates is subsumed within the rates provided in the agreement.

76. Liberty Silverleaf's total annual expenses reflect the following agreements by the parties regarding expense issues: all litigation costs related to the dispute between Silverleaf Resorts and Liberty Silverleaf were removed from the total annual expenses provided in the agreement; Liberty Silverleaf will recover \$11,220 for emergency water purchases; sewer permit fees were normalized over the five-year permit term; contract work expenses were adjusted to include one year of known and measurable changes in employee salaries; and the total water and sewer expenses include zero federal income tax expense.
77. The parties agree that Liberty Silverleaf's weighted average cost of capital is 6.93%.
78. The revenue requirements and rates set forth in the settlement agreement are reasonable.
79. Under the agreement, Liberty Silverleaf may recover \$250,000 in rate case expenses through a monthly surcharge equal to \$1.98 per basic equivalent meter for water and \$2.90 per basic equivalent meter for sewer for 24 months or until \$250,000, in total, has been recovered.
80. The rate case expenses in the amount of \$250,000 are reasonable and necessary.
81. Liberty Silverleaf agrees that it will not file a new class A utility water or sewer rate and tariff change application under TWC § 13.187 or a class B utility water or sewer rate and tariff change application under TWC § 13.1871 using a test year that ends earlier than December 31, 2021.
82. As part of its next rate and tariff change application filed, Liberty Silverleaf agrees to include copies of the employee surveys, completed within at least four years of the filing of the rate case, that were used to determine the percentage of the indirect overhead allocated from Algonquin Power & Utilities Corp. to Liberty Silverleaf that is capitalized.
83. As part of its next rate and tariff change application filed, Liberty Silverleaf agrees to include an independent Texas regulatory compliance audit report of Algonquin Power & Utilities Corp.'s cost allocation manual that was completed not more than one year before the filing date of the rate case and, at a minimum, meets the audit requirements of the *NARUC Guidelines for Cost Allocations*. The parties agree that the costs of the audit will

be shared between Algonquin Power & Utilities Corp.'s regulated and non-regulated operations in accordance with the allocation of similar common costs.

84. As part of its next rate and tariff change application filed, Liberty Silverleaf agrees to propose a uniform sewer rate for all customers in the Holly Lake Ranch and the Villages/Big Eddy systems.

Interim Rates

85. The parties agree to support the request of Liberty Silverleaf to begin charging the rates provided in the agreement for service rendered on or after July 1, 2019, if the Commission has not issued a final order in this docket on or before July 1, 2019.
86. If the final rates approved by the Commission are lower than the interim rates described in the preceding finding of fact, Liberty Silverleaf agrees to refund the difference between the approved rates and the interim rates to its customers.
87. On May 6, 2019, Liberty Silverleaf filed an agreed motion for interim rates on behalf of the parties.
88. In SOAH Order No. 19 issued on May 7, 2019, the SOAH ALJ granted the agreed motion to set interim rates.

Informal Disposition

89. More than 15 days have passed since completion of the notice provided in this docket.
90. No protests or motions to intervene were filed that have not been addressed, and no party, including Commission Staff, disputes any issue of law or fact.
91. No hearing is needed.
92. The decision is not adverse to any party in this proceeding.

II. Conclusions of Law

The Commission makes the following conclusions of law:

1. Liberty Silverleaf is a utility as defined in TWC § 13.002(23), a public utility as defined in 16 TAC § 24.3(51), a water utility as defined in 16 TAC § 24.3(75), and sewer utility as defined in 16 TAC § 24.3(76).

2. Liberty Silverleaf is a retail public utility as defined in TWC § 13.002(19) and 16 TAC § 24.3(59).
3. Liberty Silverleaf is a class B utility as defined in TWC § 13.002(4-b) and 16 TAC § 24.3(16).
4. The Commission has jurisdiction to consider Liberty Silverleaf's application for a rate increase under TWC §§ 13.041, 13.181, 13.182, 13.184, and 13.1871 using the procedures set forth by the Commission in 16 TAC chapter 24.
5. The Commission processed this docket in accordance with the requirements of the TWC, the Administrative Procedure Act,¹ and Commission rules.
6. Liberty Silverleaf provided notice of the rate application in compliance with TWC § 13.1871, 16 TAC § 24.27, and APA §§ 2001.051 and 2001.052.
7. The rates set forth in the settlement agreement are just and reasonable and are in the public interest.
8. The rates set forth in the settlement agreement are not unreasonably discriminatory, preferential, or prejudicial and are sufficient, equitable, and consistent in application to each class of customers. TWC § 13.182(a)–(b).
9. The rates set forth in the settlement agreement will preserve the financial integrity of Liberty Silverleaf and will permit Liberty Silverleaf a reasonable opportunity to earn a reasonable return on its invested capital used and useful in rendering service to the public over and above its reasonable and necessary operating expenses. TWC § 13.183(a).
10. An overall rate of return of 6.93% will not yield Liberty Silverleaf more than a fair return on the invested capital used and useful in rendering service. TWC § 13.184.
11. The rates approved in this case are based on original cost, less depreciation, of property used and useful in Liberty Silverleaf's provision of service. TWC § 13.185.
12. The consolidated system rates and tariffs resulting from the agreement comply with TWC §§ 13.145(a) and 13.182(d) and 16 TAC §§ 24.25(k) and (l).

¹ Administrative Procedure Act, Tex. Gov't Code §§ 2001.001–.902 (APA).

13. The settled revenue requirements reflect the change in Liberty Silverleaf's federal income tax rate from 35% to 21% as a result of the Tax Cuts and Jobs Act,² which means that Liberty Silverleaf has complied with the order in Project No. 47945.
14. The requirements for informal disposition under 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders:

1. The Commission approves Liberty Silverleaf's change in water and sewer rates and associated tariffs, as modified by the agreement and this Order.
2. The Commission approves the rates and terms included in the water and sewer tariffs attached to the agreement as exhibits C and D, respectively, effective the first day of the month following the date this Order is signed.
3. The Commission approves the rate base schedules and asset list attached to the agreement as corrected exhibits A and B.
4. Liberty Silverleaf must recover a monthly surcharge of \$1.98 per basic equivalent meter for water and \$2.90 per basic equivalent meter for sewer to recover rate case expenses for 24 months or until Liberty Silverleaf has recovered \$250,000. Within 30 days of ending this surcharge, Liberty Silverleaf must file documentation showing the amounts actually collected and the date this surcharge ended. The documentation will be filed in Docket No. _____, *Compliance Filing of Liberty Utilities (Silverleaf Water) LLC Regarding a Surcharge in Docket No. 47976*.
5. Liberty Silverleaf may not seek to recover rate-case expenses incurred in this docket other than through the surcharge approved in this Order.

² Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. L. No. 115-97, 131 Stat. 2054 (Dec. 22, 2017).

6. Liberty Silverleaf must not file a new class A utility water or sewer rate and tariff change application under TWC § 13.187 or a class B utility water or sewer rate and tariff change application under TWC § 13.1871 using a test year that ends earlier than December 31, 2021.
7. As part of its next rate and tariff change application filed, Liberty Silverleaf must include copies of the employee surveys, completed within at least four years of the filing of the rate case, that were used to determine the percentage of the indirect overhead allocated from APUC to Liberty Silverleaf that is capitalized.
8. As part of its next rate and tariff change application filed, Liberty Silverleaf must include an independent Texas regulatory compliance audit report of APUC's cost allocation manual that was completed not more than one year before the filing date of the rate case and, at a minimum, meets the audit requirements of the *NARUC Guidelines for Cost Allocations*. The costs of the audit must be shared between APUC's regulated and non-regulated operations in accordance with the allocation of similar common costs.
9. As part of its next rate and tariff change application filed, Liberty Silverleaf must propose a uniform sewer rate for all customers in the Holly Lake Ranch and the Villages/Big Eddy systems.
10. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement and must not be regarded as a binding holding or precedent as to the appropriateness of any principle or methodology underlying the agreement.
11. Within ten days of the date of this Order, Commission Staff must provide a clean copy of the water and sewer tariffs approved by this Order to central records to be marked *Approved* and filed in the Commission's tariff books.
12. The Commission denies all other motions and any other requests for general or specific relief that have not been expressly granted.

Signed at Austin, Texas the _____ day of July 2017.

PUBLIC UTILITY COMMISSION OF TEXAS

DEANN T. WALKER, CHAIRMAN

ARTHUR C. D'ANDREA, COMMISSIONER

SHELLY BOTKIN, COMMISSIONER

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