



Control Number: 48157



Item Number: 7

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**TARIFF CONTROL NO. 48157**

2018 JUN 14 AM 11:10

**NOTICE OF NERRO SUPPLY  
INVESTORS, LLC FOR A PASS-  
THROUGH RATE CHANGE**

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**PUBLIC UTILITY COMMISSION**

**OF TEXAS**

**COMMISSION STAFF'S SUPPLEMENTAL RECOMMENDATION ON SUFFICIENCY  
OF APPLICATION AND NOTICE**

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

**I. BACKGROUND**

On March 13, 2018, Nerro Supply Investors, LLC (Nerro), Certificate of Convenience and Necessity (CCN) No. 10336 filed an application to implement a pass-through rate change pursuant to 16 Texas Administrative Code (TAC) § 24.21. The pass-through adjustment is for an increase in the water use fee billed by North Harris County Regional Water Authority (NHCRWA) from \$2.90 per 1,000 gallons to \$3.40 per 1,000 gallons effective April 1, 2018. The applicant also requested to add a pass-through true-up adjustment clause to its tariff per 16 TAC § 24.21. On May 11, 2018 and May 29, 2018, the application was supplemented and Nerro amended its request to be a total water use fee bill of \$5.73 per 1,000 gallons.

The notice filed by the Administrative Law Judge (ALJ) on April 18, 2018 required Staff to provide a supplemental recommendation on sufficiency of the application and notice on or before June 14, 2018. Therefore, this pleading is timely filed.

**II. SUPPLEMENTAL APPLICATION & NOTICE SUFFICIENCY  
RECOMMENDATION**

Staff has reviewed Nerro's application and notice. As supported by the attached memorandum of Kathryn Eiland of the Water Utility Regulation Division, Staff recommends that the application and the supplemental information provided by the Applicant contain the information necessary to evaluate the application under 16 TAC § 24.21. Additionally, Staff recommends that the notice provided by the Applicant meets the requirements of 16 TAC § 24.21.

Staff also recommends that the application meets the requirements for approval under 16 TAC § 24.21 and that the Commission approve the pass-through formula and pass-through rate of \$4.00 per 1,000 gallons.

Finally, Staff respectfully requests that Nerro be ordered to refund any overcharges for the month of April and May, if any, and provide an affidavit attesting to refunds or attesting that the proposed \$5.73 rate was not billed to customers within 30 days of the final order in this docket.

### **III. CONCLUSION**

For the reasons discussed above, Staff respectfully requests that Nerro's application and notice be found sufficient. Staff further recommends that the application be approved and that the Applicant be ordered to refund any overcharges as detailed in the attached memorandums.

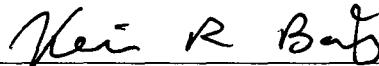
**Dated:** June 14, 2018

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

Katherine Lengieza Gross  
Managing Attorney

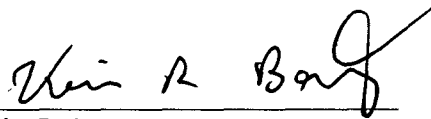


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**TARIFF CONTROL NO. 48157**

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on June 14, 2018, in accordance with 16 TAC § 22.74.



Kevin R. Bartz

## PUC Interoffice Memorandum

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**To:** Kevin Bartz, Attorney  
Legal Division

**Thru:** Debi Loockerman, Financial Manager  
Water Utility Regulation

**From:** Kathryn Eiland, Financial Analyst  
Water Utility Regulation

**Date:** June 14, 2018

**Subject:** **Tariff Control No. 48157; *Application of Nerro Supply Investors, LLC for a Pass-Through Rate Change***

On March 13, 2018, Nerro Supply Investors, LLC (Nerro), Certificate of Convenience and Necessity (CCN) No. 10336 filed an application to implement a pass-through rate change pursuant to 16 Texas Administrative Code (TAC) § 24.21. The pass-through adjustment is for an increase in the water use fee billed by North Harris County Regional Water Authority (NHCRWA) from \$2.90 per 1,000 gallons to \$3.40 per 1,000 gallons effective April 1, 2018. The Applicant also requested to add a pass-through true-up adjustment clause to its tariff per 16 TAC § 24.21.

The Commission deemed the application insufficient and required Nerro to cure the deficiencies by May 14, 2018. Staff reviewed Nerro's additional filings made on May 11, 2018 and May 29, 2018, including the notice provided to customers. Staff determined that line loss is already included in the total amount paid to (NHCRWA) and once again in the proposed formula. Additionally, the proposed true up provision provides for recovery of line loss that was limited by the previous pass-through provision to 15%. 16 TAC § 24.21 (b)(2)(D) requires that a true-up report be filed when there is a combined pass-through provision, which includes more than one pass-through provider and multiple costs. Nerro has only one pass-through provider. Further, 16 TAC § 24.21 (b)(2)(F) provides that line loss will be considered on a case-by-case basis. Staff typically recommends that no more than 15% line loss be allowed in the calculation with no explanation. The line loss reported by Nerro is 37.4% and no explanation has been provided. Therefore, Staff recommends that 15% line loss be used in the calculation of the pass-through adjustment. Staff has calculated the new pass-through rate below and Staff believes that the amount will allow Nerro to recover its reasonable and necessary costs passed through from NHCRWA:

**R = G / (1-L), where**

R = utility's new proposed pass-through rate:

G = the new gallonage charge (per 1,000 gallons) by source supplier;

L = actual line loss for preceding 12 months, not to exceed 0.15

$$R = \$3.40 / (1 - .15)$$

$$R = \$3.40 / .85$$

$$R = \$4.00$$

Based upon review of the information, Staff finds that the application is sufficient and recommends that the Commission:

1. Deem the application sufficient for filing;
2. Approve the pass-through formula and pass-through rate of \$4.00 per 1,000 gallons as recommended by Staff;
3. Order the Applicant to refund any overcharges for the month of April and May, if any, and provide an affidavit attesting to refunds or attesting that the proposed \$5.73 rate was not billed to customers within 30 days of the final order in this docket; and
4. Provide a copy of the approved tariff to the Applicant (attached).