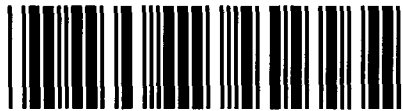




Control Number: 48157



Item Number: 8

Addendum StartPage: 0

TARIFF CONTROL NO. 48157

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

§
§
§

PUBLIC UTILITY COMMISSION

OF TEXAS

2018 JUN 11 PM 4:34

**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. Staff's initial filing submitted on June 14, 2018 did not include the tariff, which is attached to this updated filing.

**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.

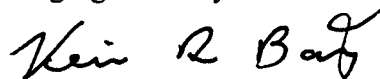
Dated: June 14, 2018

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Katherine Lengieza Gross
Managing Attorney

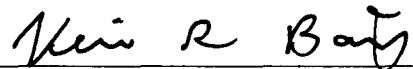


Kevin R. Bartz
State Bar No. 24101488
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7275
(512) 936-7268 (facsimile)
Kevin.Bartz@puc.texas.gov

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

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

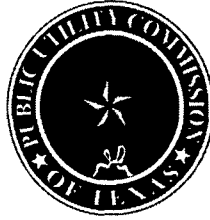
$$R = \$3.40 / (1 - .15)$$

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

$$R = \$4.00$$

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).



WATER UTILITY TARIFF

Tariff Control Number: 48157

Nerro Supply Investors, LLC
(Utility Name)

718 Westscott Street
(Business Address)

Houston, Texas 77007
(City, State, Zip Code)

(281)355-1312
(Area Code/Telephone)

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

10336

This tariff is effective in the following counties:

Harris and Montgomery

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

None

This tariff is effective in the following subdivisions and public water systems:

See attached list.

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	3
SECTION 3.0 -- EXTENSION POLICY	10
SECTION 4.0 -- DROUGHT CONTINGENCY PLAN	14

APPENDIX A --

APPENDIX B -- SAMPLE SERVICE AGREEMENT

APPENDIX C -- APPLICATION FOR SERVICE

LIST OF SUBDIVISIONS

Hazy Hollow East Estates	1700013	Montgomery
Shady Brook Acres	1700031	Montgomery
Spring Creek Valley Estates	1010213	Harris
White Oak Valley Estates	1700036	Montgomery

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

Spring Creek Valley Estates (Harris County)

Meter Size

Monthly Minimum Charge

Gallonge Charge

5/8" or 3/4"

\$37.16 (includes 1000 gallons)

\$3.56 per 1,000 gallons over the minimum

*Plus NHCRWA Fee for ALL gallons used.

*North Harris County Regional Water Authority Water Use Fee:

\$4.00 per 1,000 gallons of water usage

Tariff Control No. 48157

Hazy Hollow East Estates, White Oak Valley Estates, Shady Brook Acres (Montgomery County)

Meter Size

Monthly Minimum Charge

Gallonge Charge

5/8" or 3/4"

\$36.71 (includes 1000 gallons)

\$3.55 per 1,000 gallons over the minimum

*PLUS LSGCD & SJRA fees for ALL gallons used.

*Lone Star Groundwater Conservation District Water Use Fee:

\$0.05 per 1,000 gallons of water usage.

*San Jacinto River Authority Fee for Hazy Hollow East Estates and White Oak Valley Estates only.

\$2.50 per 1,000 gallons of water usage

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

Cash X, 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.

Tariff Control No. 48157

SECTION 1.0 – RATE SCHEDULE (Continued)

Section 1.02 - Miscellaneous Fees

TAP FEE.....N/A

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.

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

TRANSFER FEE.....N/A

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) 10%

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.

SECTION 1.0 – RATE SCHEDULE (Continued)

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 TCEQ AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [30 TAC 24.21(K)(2)]

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.

Pass Through Provision:

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:

$$R = G / (1 - L)$$

Where:

R = the proposed pass-through rate;

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

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

$$ABR = BR + (B \times N) / (1 - L), \text{ Where:}$$

ABR = adjusted base rate, rounded to nearest one cent;

B = approved gallonage charge, per 1,000 gallons;

N = no. of 1,000 gallons included in base rate (do not use zero);

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