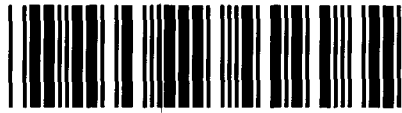




Control Number: 48190



Item Number: 5

Addendum StartPage: 0

TARIFF CONTROL NO. 48190

APPLICATION OF UNDINE
TEXAS, LLC FOR PASS-THROUGH
RATE CHANGE

§
§
§

PUBLIC UTILITY COMMISSION
OF TEXAS

COMMISSION STAFF'S AMENDED DEFICIENCY RECOMMENDATION

COMES NOW the Commission Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files this revised response to Notice Setting Deadline for Commission Staff Recommendation, Staff's Amended Deficiency Recommendation. Staff recommends that revised notice be issued. In support thereof, Staff shows the following:

I. BACKGROUND

On March 21, 2018, Undine Texas, LLC (Undine Texas) filed an application for a pass-through rate change pursuant to 16 Texas Administrative Code (TAC) § 24.21(b)(2)(A)(vii). Specifically, Undine Texas requests approval of a pass-through rate increase as a minor tariff change in order to recover an increased Groundwater Reduction Plan fee imposed by North Fort Bend Water Authority (NFBWA). NFBWA's rate increase from \$3.05 per thousand gallons to \$3.35 applies to the 723 Utility/Riverside Ranch Subdivision of Undine Texas and took effect on January 1, 2018.¹ Undine Texas proposes an effective date of March 14, 2018 for an increase to \$3.68 per 1,000 gallons for this pass-through rate change, which would include a recovery for line loss.²

On April 23, 2018, Staff filed its Deficiency Recommendation recommending that Undine Texas's application not be found administratively complete because of issues with notice. Specifically, Staff recommended that examples of present and new calculations of customers' billings should have been included in the notice,³ similar to the notice content issued in Tariff Control No. 48153.⁴ On April 25, 2018, the Commission Administrative Law Judge (ALJ) issued Notice Finding the Application Incomplete and Deficient which established a deadline of May 16,

¹ Application at 1 (Mar. 21, 2018).

² *Id.* at 1-2.

³ Commission Staff's Deficiency Recommendation at 1-2 and 4 (Apr. 23, 2018).

⁴ *Application of Woodmark Water, L.C. for a Pass-through Rate Change*, Tariff Control No. 48153, Application at 4 (Mar. 12, 2018)

2018 for Undine Texas to issue new notice and file a copy in this proceeding. After further review, Staff submits this amendment to its prior Deficiency Recommendation.

II. AMENDED NOTICE DEFICIENCY RECOMMENDATION

Staff has communicated with counsel for Undine Texas. After further review of the requirements of 16 TAC § 24.21 and Undine Texas's application and notice, Staff amends its previous deficiency recommendation as indicated in the attached memorandum of Kathryn Eiland of the Commission's Water Utility Regulation Division. Staff no longer recommends that example calculations similar to what was filed in Tariff Control No. 48153 are necessary.

Further review of the requirements of 16 TAC § 24.21(b)(2)(F)(ii) indicates that such example calculations are not required. However, 16 TAC §§ 24.21(b)(2)(F)(ii)(II) and (III) do require that both the current and new calculations of customer billings be included in the notice. Staff recommends that Undine Texas be ordered to reissue notice which includes calculations of both the present and new fees and to file a copy of such notice with an affidavit attesting to its issuance. Staff understands that Undine Texas's present billing of this fee does not include a recovery for line loss, but rather is a direct pass-through at cost. Accordingly, there is no present calculation of customer billings to include. Therefore, rather than include a formula for the present calculation, Staff recommends that Undine Texas be ordered to include a note that no line loss recovery was included in the present calculation. A formula is appropriate for the new calculation because line loss is included.

Undine Texas has represented to Staff that it can issue and file such revised notice by its previously established deadline of May 16, 2018. Staff intends to file a recommendation by June 13, 2018 in accordance with the deadline established in the Notice Finding the Application Incomplete and Deficient.

III. CONCLUSION

For the reasons stated above, Staff respectfully recommends that Undine Texas's application and notice continue to be found deficient and that Undine Texas be ordered to issue revised notice in accordance with Staff's amended recommendation herein.

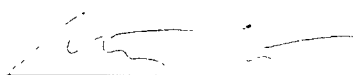
Dated: May 4, 2018

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Katherine Lengieza Gross
Managing Attorney

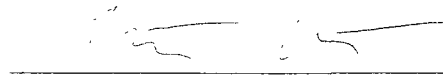


Matthew A. Arth
State Bar No. 24090806
(512) 936-7021
(512) 936-7268 (facsimile)
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
matthew.arth@puc.texas.gov

TARIFF CONTROL NO. 48190

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on May 4, 2018,
in accordance with the requirements of 16 TAC § 22.74.



Matthew A. Arth

PUC Interoffice Memorandum

To: Matthew Arth, Attorney
Legal

Thru: Debi Loockerman, Financial Manager
Water Utility Regulation

From: Kathryn Eiland, Financial Analyst
Water Utility Regulation

Date: May 3, 2018

Subject: **Tariff Control No. 48190; Application of Undine Texas, LLC for a Pass-Through Rate Change**

On March 21, 2018, Undine Texas, LLC (Applicant), Certificate of Convenience and Necessity No. 13260, 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 Groundwater Reduction Plan fee billed by North Fort Bend Water Authority (NFBWA) from \$3.05 per 1,000 gallons to \$3.35 per 1,000 gallons effective January 1, 2018.

The Applicant requests a NFBWA pass-through rate change to \$3.68 per 1,000 gallons for 723 Utility/Riverside Ranch Subdivision (PWS #0790425), which includes recovery for line loss.

Staff calculated the proposed pass-through rate change as follows:

AG = (G + B)/(1-L), where

AG = adjusted gallonage charge, rounded to the nearest one cent:

G = approved gallonage charge (per 1,000 gallons);

B = change in purchased water/district gallonage charge (per 1,000 gallons);

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

$$AG = \$3.05 + \$0.30 / (1 - .09)$$

$$AG = \$3.05 + \$0.30 / .91$$

$$AG = \$3.35 / .91$$

$$AG = \$3.68$$

Based on Staff's further review of the application, Staff continues to recommend that it be deemed insufficient for filing at this time. Staff identified that the notice included inserts of the rate schedule from the Applicant's current approved tariff and proposed tariff. Staff determined that example billing calculations, similar to what was filed by the applicant in Tariff Control No. 48153, are not in fact required. Under 16 TAC §§ 24.21(b)(2)(F)(ii)(II) and (III), an applicant is required to include the calculation of customers' current billing and the calculation of customers' new billing. Staff confirmed that the current pass-through was not adjusted for line loss and is the full amount billed by the NFBWA so there would not be a present calculation of billing. However, the calculation of billing was not included in the notice for the new pass-through rate of \$3.68. Therefore, Staff recommends that Undine do the following to resolve the deficiencies.

1. Issue new notice to customers that contains:
 - A. An explanation that a calculation for present billing was not included because there is no recovery for line loss in the current billing; and
 - B. the calculation for new billings.
2. File a copy of the new notice.

The Applicant has provided documents to substantiate the increase in charges from NFBWA effective January 1, 2018. Although the notice is not yet sufficient, Staff recommends that the Applicant be allowed to implement an interim rate, as requested, in order to make the Applicant whole and avoid the necessity for refunds.