



Control Number: 48220



Item Number: 7

Addendum StartPage: 0

APPLICATION OF J & S WATER
COMPANY LLC FOR A PASS-
THROUGH RATE CHANGE

§
§
§

PUBLIC UTILITY COMMISSION
OF TEXAS
2018 APR 11 1:45
FILING CLERK

COMMISSION STAFF'S SUPPLEMENTAL RECOMMENDATION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and files this Supplemental Recommendation in response to a Notice Approving Interim Rate and would show the following:

I. BACKGROUND

On April 2, 2018, J & S Water Company, LLC (J & S) filed an application to implement a pass-through rate change due to an increase in water use fees imposed on J & S by the North Harris County Regional Water Authority. J & S seeks to increase its pass-through rate to \$4.00 per 1,000 gallons effective April 1, 2018. On April 9, 2018, J & S filed supplemental information regarding its application. On April 30, 2018, Staff filed a recommendation that J & S be directed to re-notice its customers to cure notice deficiencies. On May 9, 2018, J & S filed a revised customer notice.

On May 11, 2018, a Notice Approving Interim Rate was issued, directing J & S to reissue corrected notice to its customers and establishing a deadline of June 13, 2018, for Staff to file a supplemental recommendation on the application. This pleading is therefore timely filed.

II. RECOMMENDATION

As detailed in the attached memorandum from Kathryn Eiland in the Commission's Water Utility Regulation Division, Staff has reviewed the application, notice, supplemental information, and revised notice and recommends that the requested pass-through rate be approved as calculated by J & S with a 15% line loss and that the attached tariff pages be issued to J & S.

Staff notes that the revised notice incorrectly states that the rate increase is \$1.24 per 1,000 gallons when the actual increase is \$0.59 per 1,000 gallons. Staff recommends that the notice be found sufficient despite this discrepancy because the notice overstates the amount of the increase and shows the correct previous and adjusted pass-through amounts, and because no ratepayer protests, comments, or intervention requests have been filed.

7

In addition, Staff recommends that J & S's request for a pass through true up adjustment clause be denied because J & S did not support the need for a true up adjustment clause and is only passing through one charge from one entity. Under 16 TAC § 24.21(b)(2)(C)(v) and (b)(2)(D), a true up adjustment is designed for scenarios in which a utility passes through multiple costs from multiple entities under a combined pass-through clause.

III. CONCLUSION

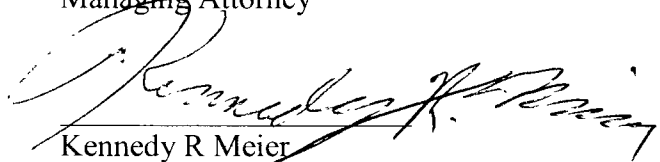
For the reasons detailed above, Staff recommends that J & S's pass-through rate be approved, that J & S's request for a true up adjustment clause be denied, and that the attached tariff sheets be issued to J & S.

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Katherine Lengieza Gross
Managing Attorney

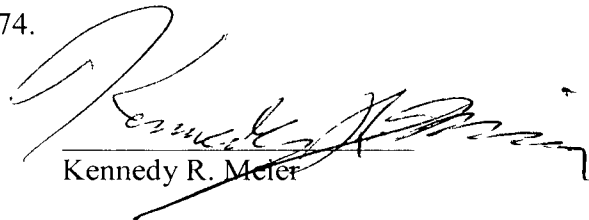


Kennedy R Meier
State Bar No. 24092819
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7265
(512) 936-7268 (facsimile)
kennedy.meier@puc.texas.gov

TARIFF CONTROL NO. 48220

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the 13th of June, 2018 in accordance with 16 TAC § 22.74.



Kennedy R. Meier

PUC Interoffice Memorandum

To: Kennedy Meier, Attorney
Legal Division

Thru: Debi Loockerman, Financial Manager
Water Utility Regulation Division

From: Kathryn Eiland, Financial Analyst
Water Utility Regulation Division

Date: June 12, 2018

Subject: **Tariff Control No. 48220;** *Application of J & S Water Company LLC for a Pass-Through Rate Change*

On April 2, 2018, J & S Water Company, LLC (J & S), Certificate of Convenience and Necessity (CCN) No. 12085 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 pumpage fee billed by North Harris County Regional Water Authority (NHCRWA) to \$3.40 per 1,000 gallons effective April 1, 2018. J & S also requested to add a pass-through true-up adjustment clause to its tariff per 16 TAC § 24.21.

On May 11, 2018, the Commission approved an interim pass-through rate of \$4.00 per 1,000 gallons and required J & S to reissue notice to customers with the correct approved NHCRWA pass-through rate from Tariff Control No. 47067. On May 9, 2018, J & S filed a copy of the revised notice to customers. Staff reviewed the application and new notice and has determined that both meet the requirements of 16 TAC § 24.21. Additionally, Staff notes that J & S did not provide the need for a true-up adjustment clause or the information needed to design a true-up adjustment clause, such as a basis for estimating future costs and historical documentation of under or over recovery of the charges for the past three years in its original application or supplemental filing. A true-up report is required by 16 TAC § 24.21(b)(2)(D) in association with a combined pass-through provision, which includes more than one pass-through provider and multiple costs. J & S has only one pass-through provider. Therefore, Staff recommends that the request for the true-up adjustment clause be denied. Also, 16 TAC § 24.21(b)(2)(E) 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 the Applicant is 19% and no explanation has been provided. Therefore, Staff recommends that 15% line loss be used in the calculation of the pass-through adjustment.

Staff recommends that the Commission do the following:

1. Approve the requested pass-through rate of \$4.00 per 1,000 gallons as requested; and
2. Provide J & S a copy of the attached tariff.



WATER UTILITY TARIFF
Tariff Control Number: 48220

J & S Water Company, L.L.C.
(Utility Name) (Business Address)

1905 N. Battle Bell Road

Highlands, TX 77562
(City, State, Zip Code)

(281) 590-4359
(Area Code/Telephone)

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

12085

This tariff is effective in the following counties:

Harris, Chambers, and Liberty

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

None

This tariff is effective in the following subdivisions:

Arbor Oaks (PWS #1011493), Five Oaks (PWS #1011832), Maple Leaf Gardens (PWS #1011493), Oakland Village (PWS #1010049), Windfern Meadows (PWS #1011493), and Woodland Acres (Subdivision and Mobile Home Park) (PWS #0360027)

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 POLICES	3
SECTION 3.0 - EXTENSION POLICY	11

APPENDIX A: DROUGHT CONTINGENCY PLAN

APPENDIX B: APPLICATION FOR SERVICE

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonage Charge</u>
5/8" or 3/4"	\$23.44 (per connection for all water meter sizes)	\$5.50 per 1,000 gallons over the minimum
1"	\$58.60	
1½"	\$117.20	
2"	\$187.52	
3"	\$351.60	
4"	\$586.00	
6"	\$1,172.00	

***Gallonage Charge: Gallonage charge of \$5.50 per 1,000 gallons includes North Harris County Regional Water Authority's ground water fee surcharge of \$4.00 per 1,000 gallons. (*Tariff Control No. 48220*)

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

Cash X, Check X, Money Order X, Credit Card X, 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.

Phone Payment Fee*: A fee of five percent (5%) of the amount paid will be charged for all phone payments.

REGULATORY ASSESSMENT..... 1.0%
 PUC RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

Section 1.02 - Miscellaneous Fees

TAP FEE \$600.00
 TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL CONNECTION AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

NON-RESIDENTIAL TAP FEE..... Actual Cost
 THE TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR NON-RESIDENTIAL CUSTOMERS.

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) Nonpayment of bill (Maximum \$25.00)..... \$25.00
- b) Customer's request that service be disconnected \$50.00

SECTION 1.0 -- RATE SCHEDULE (Continued)

TRANSFER FEE	<u>\$50.00</u>
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)	<u>\$5.00</u>
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	<u>\$30.00</u>
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.	
CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50).....	<u>\$50.00</u>
NON-RESIDENTIAL CUSTOMER DEPOSIT	<u>1/6TH of estimate annual billing</u>
METER TEST FEE	<u>\$25.00</u>
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	
METER CONVERSION FEE	<u>Actual Cost</u>
TO CHANGE LOCATION OR INCREASE THE SIZE OF THE METER AT THE CUSTOMER'S REQUEST.	

PASS THROUGH ADJUSTMENT CLAUSE:

The utility may pass on only to those customers served by a system subject to the jurisdiction of the North Harris County Regional Water Authority (NHCRWA) or systems receiving purchased water from the City of Houston Groundwater Reduction Plan (COH GRO), any increase or decrease in its underground water district pumpage fee or purchased water fee, thirty (30) days after noticing of any change to all effected customers and filing notice with the PUC as required by 16 TAC 24.21 (h). The change per customer shall be calculated as follows:

$$AG = G / 1 - L$$

Where:

- AG = adjusted gallonage charge, rounded to nearest one cent
- G = new gallonage charge (per 1,000 gallons)
- L = line loss for the preceding 12 months, not to exceed 15%

$$(A \times B) / C + L [A \times B] / C = \text{increase or decrease to existing gallonage rate}$$

Where:

- A = Utility's annualized change in cost of water subjected to district's fee
- B = Average number of gallons
- C = 1,000 gallons
- L = Percentage system wide line loss for the preceding 12 months, not to exceed 15%

Woodland Acres

(Utility Name)

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonage Charge</u>
5/8" or 3/4"	\$23.44 (per connection for all water meter sizes)	\$1.50 ***per 1,000 gallons over the minimum
1"	\$58.60	
1½"	\$117.20	
2"	\$187.52	
3"	\$351.60	
4"	\$586.00	
6"	\$1,172.00	

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

Cash X, Check X, Money Order X, Credit Card X, 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.

Phone Payment Fee*: A fee of five percent (5%) of the amount paid will be charged for all phone payments.

REGULATORY ASSESSMENT..... 1.0%
 PUC RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

Section 1.02 - Miscellaneous Fees

TAP FEE \$600.00
 TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL CONNECTION. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

NON-RESIDENTIAL TAP FEE..... Actual Cost
 THE TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR NON-RESIDENTIAL CUSTOMERS.

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) Nonpayment of bill (Maximum \$25.00)..... \$25.00
 b) Customer's request that service be disconnected \$50.00

TRANSFER FEE..... \$50.00
 THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

SECTION 1.0 -- RATE SCHEDULE (Continued)

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL)	<u>\$5.00</u>
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	<u>\$30.00</u>
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.	
CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50).....	<u>\$50.00</u>
NON-RESIDENTIAL CUSTOMER DEPOSIT	<u>1/6TH of estimate annual billing</u>
METER TEST FEE	<u>\$25.00</u>
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.	
METER CONVERSION FEE	<u>Actual Cost</u>
TO CHANGE LOCATION OR INCREASE THE SIZE OF THE METER AT THE CUSTOMER'S REQUEST.	

PASS THROUGH ADJUSTMENT CLAUSE:

The utility may pass on only to those customers served by a system subject to the jurisdiction of the North Harris County Regional Water Authority (NHCRWA) or systems receiving purchased water from the City of Houston Groundwater Reduction Plan (COH GRO), any increase or decrease in its underground water district pumpage fee or purchased water fee, thirty (30) days after noticing of any change to all effected customers and filing notice with the PUC as required by 16 TAC 24.21 (h). The change per customer shall be calculated as follows:

$$(A \times B) / C + L [A \times B) / C] = \text{increase or decrease to existing gallonage rate}$$

Where:

- A = Utility's annualized change in cost of water subjected to district's fee
- B = Average number of gallons
- C = 1,000 gallons
- L = Percentage system wide line loss for the preceding 12 months, not to exceed 15%