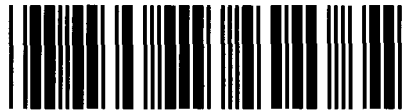




Control Number: 48244



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TARIFF CONTROL NO. 48244

2018 MAY -3 PM 2:53

APPLICATION OF JOHNSTON WATER UTILITY, LLC TO IMPLEMENT A PASS-THROUGH RATE CHANGE	§	PUBLIC UTILITY COMMISSION OF TEXAS
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COMMITTEE STAFF'S RECOMMENDATION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this Recommendation. In Support thereof, Staff shows the following:

I. BACKGROUND

On April 9, 2018, Johnston Water Utility, LLC (Johnston) filed an application to implement a pass-through rate change in its tariff under Water Certificate of Convenience and Necessity (CCN) No. 12498. Johnston seeks to implement the pass-through provision as a result of an increase in charges from North Harris County Regional Water Authority. The rate increase will affect the Powder Mill Estates and Oaks of Rosehill subdivisions. The requested effective date for the pass-through rate change is April 1, 2018.

On April 17, 2018, the Administrative Law Judge (ALJ) issued a notice requiring Staff to file a recommendation on the sufficiency of the application on or before May 4, 2018. This pleading is therefore timely filed.

II. STAFF'S RECOMMENDATION

The Commission may approve certain minor changes' to a utility's tariff under the Commission's original jurisdiction.¹ Amongst these minor changes are pass-through provisions² and surcharges collected over an authorized time period for sampling fees, inspection fees, production fees, connection fees, and other governmental requirements beyond the control of the utility.³ Staff has reviewed Johnston's application, and as supported by the attached memorandum of Kathryn Eiland of the Water Utilities Division, Staff recommends that the Commission deem the application insufficient for filing at this time. Staff recommends that the Applicant resolve the following deficiencies:

¹ 16 Tex. Admin. Code § 24.21(b)(2)(A).

² 16 TAC § 24.21(b)(2)(A)(vii).

³ 16 TAC § 24.21(b)(2)(F)(ii).

- A. Provide the affected public water system (PWS) name and corresponding number issued by the Texas Commission on Environmental Quality (TCEQ), and the water quality system name and corresponding number issued by the TCEQ, if applicable;
- B. Provide a new notice to customers for the Powder Mills Estates subdivision which includes:
 - 1. The present calculation of the pass-through rate; and
 - 2. The calculation of \$3.57 per 1,000 gallons as the new pass-through rate.
- C. Provide a new notice to customers for the Oaks of Rosehill subdivision which include the present calculation of the pass-through rate;
- D. File a copy of the amended notice for both Powder Mills Estates and Oaks of Rosehill subdivisions.

The Applicant has provided documents to substantiate the increase in charges from the North Harris County Regional Water Authority (NHCRWA) effective April 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, avoid unnecessary refunds, and to avoid processing another request by the Applicant to surcharge the uncollected fees due to the increase which is allowed by 16 TAC 24(b)(2)(G)(ii)(IV).

III. PROCEDURAL SCHEDULE

Staff recommends that Johnston be given until June 5, 2018 to amend its application in order to cure the deficiencies identified by Staff. Staff will then review this amended application for administrative completeness by June 19, 2018. In the event that Staff recommends that the Commission find that Johnston's amended application is administratively complete, Staff will propose a procedural schedule.

IV. CONCLUSION

Staff respectfully requests the issuance of an order consistent with the above recommendation.

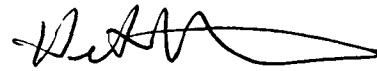
Dated May 3, 2018

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Stephen Mack
Managing Attorney



Heath D. Armstrong
State Bar No. 24105048
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7261
(512) 936-7268 (facsimile)
Heath.Armstrong@puc.texas.gov

TARIFF CONTROL NO. 48244

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the May 3, 2018 in accordance with 16 TAC § 22.74.



Heath D. Armstrong

PUC Interoffice Memorandum

To: Heath Armstrong, Attorney
Legal Division

Thru: Debi Loockerman, Financial Manager
Water Utility Regulation

From: Kathryn Eiland, Financial Analyst
Water Utility Regulation

Date: April 26, 2018

Subject: **Tariff Control No. 48244;** *Application of Johnson Water Utility, LLC for a Pass-Through Rate Change*

On April 9, 2018, Johnson Water Utility, LLC (Applicant), Certificate of Convenience and Necessity (CCN) No. 12788 filed an application to implement a pass-through rate change pursuant to 16 Texas Administrative Code §24.21 (TAC). The pass-through adjustment is for an increase in the water pumpage fee billed by North Harris County Regional Water Authority (NHCRWA). The increase results in a fee of \$3.40 per 1,000 gallons effective April 1, 2018.

The Applicant requests a NHCRWA pass-through rate change from \$3.06 to \$3.57 per 1,000 gallons for Powder Mill Estates subdivision and from \$3.36 to \$3.91 per 1,000 gallons for Oaks of Rosehill subdivision. The Applicant provided the following:

1. Documentation showing an increase in the water pumpage fee by NHCRWA;
2. A copy of the notice to customers for Powder Mill Estates and Oaks of Rosehill subdivisions; and
3. A copy of the rate pages of its tariff for Powder Mill Estates and Oaks of Rosehill subdivisions.

Staff reviewed the application and confirmed that NHCRWA fees increased effective April 1, 2018. Staff identified that the notices provided for the subdivisions of Powder Mill Estates and Oaks of Rosehill did not conform with 16 TAC §24.21 (b)(2)(F)(ii) because the notices did not include the calculation for the present pass-through rate. Additionally, the notice for the Powder Mill Estates subdivision identified the new pass-through rate as both \$3.51 and \$3.57 per 1,000 gallons. Staff calculated the correct pass-through rate as \$3.57 per 1,000 gallons.

Based on Staff's review of the application, Staff recommends that the Commission deem it insufficient for filing at this time. Staff recommends that the Applicant do the following to resolve the deficiencies:

- A. Provide the affected public water system (PWS) name and corresponding number issued by the TCEQ, and the water quality system name and corresponding number issued by the TCEQ, if applicable;
- B. Provide a new notice to customers for the Powder Mills Estates subdivision which includes:

1. The present calculation of the pass-through rate; and
 2. The calculation of \$3.57 per 1,000 gallons as the new pass-through rate.
- C. Provide a new notice to customers for the Oaks of Rosehill subdivision which include the present calculation of the pass-through rate;
- D. File a copy of the amended notice for both Powder Mills Estates and Oaks of Rosehill subdivisions.

The Applicant has provided documents to substantiate the increase in charges from NHCRWA effective April 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, avoid unnecessary refunds, and to avoid processing another request by the Applicant to surcharge the uncollected fees due to the increase which is allowed by 16 TAC 24(b)(2)(G)(ii)(IV).