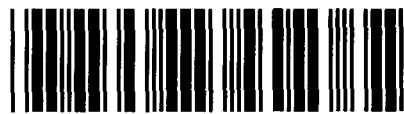




Control Number: 48307



Item Number: 3

Addendum StartPage: 0

RECEIVED

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

§
§
§

PUBLIC UTILITY COMMISSION

MAY 23 8 21 AM '18
PUBLIC UTILITY COMMISSION
OFFICE

**COMMISSION STAFF'S SUFFICIENCY AND
FINAL DISPOSITION RECOMMENDATIONS**

COMES NOW the Commission Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files this response to Notice Setting Deadline for Commission Staff Recommendation, Staff's Sufficiency and Final Disposition Recommendations. Staff recommends that the application and notice be found sufficient and that the application be approved using rates calculated by Staff. In support thereof, Staff shows the following:

I. BACKGROUND

On April 23, 2018, Undine Texas, LLC (Undine) filed an application for a pass-through rate change pursuant to 16 Texas Administrative Code (TAC) § 24.21(b)(2)(A)(vii). Specifically, Undine requests approval of a pass-through rate increase as a minor tariff change in order to recover an increased well pumpage fee imposed by North Harris County Regional Water Authority (NHCRWA) from \$2.90 per 1,000 gallons to \$3.40 per 1,000 gallons.¹ NHCRWA's increased fee is effective April 1, 2018.² Undine's proposed rate increase to account for the higher NHCRWA pumpage fee would rise from \$3.41 per 1,000 gallons to \$5.28 per 1,000 gallons and the increase would also include recovery for line loss.³ Undine's proposed increase applies to the Cypress Bend Subdivision, Public Water System No. 1010119, and Undine requests an effective date of April 1, 2018.⁴

On April 26, 2018, the Commission Administrative Law Judge (ALJ) issued Notice Setting Deadline for Staff's Recommendation requiring Staff to file a recommendation on the application

¹ Application at 1-2 (Apr. 23, 2018).

² *Id.* at 1.

³ *Id.* at 2.

⁴ *Id.*

3

and notice, as well as propose a procedural schedule, by May 23, 2018. Therefore, this pleading is timely filed.

II. APPLICATION AND NOTICE SUFFICIENCY RECOMMENDATION

Staff has reviewed Undine's application and notice and determined that they are both sufficient. Staff notes that although Undine's notice provided for a higher rate than Staff recommends herein, no further notice should be required because the approved rate would be lower than noticed. Therefore, Staff recommends that the application be found administratively complete and that no further notice be required.

III. FINAL DISPOSITION RECOMMENDATION

As indicated by the attached memorandum of Kathryn Eiland of the Commission's Water Utility Regulation Division (Attachment A), Staff has reviewed Undine's application for a pass-through rate change. Although Undine's application seeks a rate change to \$5.28 per 1,000 gallons, Staff recommends that the rate be set at \$4.00 per 1,000 gallons. Undine's rate increase request included line loss of 35.6%, which exceeds Staff's recommended maximum line loss of 15%. Undine included no justification for a line loss recovery greater than 15%. An amended tariff is attached herein reflecting Staff's recommended \$4.00 per 1,000 gallons rate change (Attachment B).

If the Commission approves Staff's recommended rate and Undine has already begun charging a rate at \$5.28 per 1,000 gallons, Staff recommends that Undine be ordered to refund any overcharges charged to its ratepayers since the rate change took effect. Staff recommends that Undine be ordered to file a notarized affidavit attesting to the calculation, issuance, and amount of any such refunds within 45 days of the issuance of the final order in this docket.

IV. COMMENTS ON PROCEDURAL SCHEDULE

Because Staff recommends that Undine's application be approved using the amount calculated by Staff, Staff does not propose a procedural schedule for further processing.

V. CONCLUSION

For the reasons stated herein, Staff respectfully recommends that Undine's pass-through rate change be approved using the amount provided by Staff. Staff also recommends that Undine be ordered to issue a refund of any overcharges and to file an affidavit attesting to such refund.


Dated: May 23, 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. 48307

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on May 23, 2018, in accordance with the requirements of 16 TAC § 22.74.



Matthew A. Arth

Attachment A

Staff Memorandum

PUC Interoffice Memorandum

To: Matthew Arth, Attorney
Legal Division

Thru: Debi Loockerman, Financial Manager
Water Utility Regulation

From: Kathryn Eiland, Financial Analyst
Water Utility Regulation

Date: May 23, 2018

Subject: **Tariff Control No. 48307**; *Application of Undine Texas, LLC for a Pass-Through Rate Change*

On April 23, 2018, Undine Texas, LLC (Applicant), Certificate of Convenience and Necessity (CCN) No. 10835, 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 well pumpage fee billed by North Harris County Regional Water Authority (NHCRWA). The increase results in a fee from NHCRWA of \$3.40 per 1,000 gallons, effective April 1, 2018.

The Applicant requests a pass-through rate change from \$3.41 to \$5.28 per 1,000 gallons for Cypress Bend subdivision (PWS # 1010119) to account for NHCRWA's higher fee. This proposed increase also includes recovery for line loss. The Applicant provided the following:

1. Documentation showing an increase in the water pumpage fee by NHCRWA;
2. Historical documentation of line loss for one year of 35.6%;
3. Calculations and assumptions used to determine the new rate;
4. A copy of the notice to customers for the Cypress Bend subdivision; and
5. A copy of the rate pages of its tariff for the Cypress Bend subdivision.

Staff reviewed the application and confirmed that NHCRWA fees increased effective April 1, 2018. The Applicant calculated the pass-through rate change using 35.6% line loss. Staff's recommends a maximum line loss recovery of 15%. This policy is in place in order to conserve water and encourage management to fix leaks. The Applicant provided no explanation for the 35.6% line loss. Accordingly, Staff recalculated the pass-through rate using the maximum amount of 15%, which is indicated in the formula below. .

$$\begin{aligned}AG &= \{G / (1 - L)\} \\AG &= \{\$3.40 / (1 - .15)\} \\AG &= \{\$3.40 / .85\} \\AG &= \$4.00\end{aligned}$$

Additionally, Applicant's notice to customers identified a pass-through rate change of \$5.28. Despite Staff's recommendation that the rate be set at \$4.00, Staff recommends that the notice be found sufficient since the amount Staff calculated was less than \$5.28. Staff does not recommend that the Commission order the Applicant to re-notice customers.

Staff also identified that the Applicant's tariff was not correctly updated to include the new pass-through equation as requested in Control No. 47005. The attached amended tariff includes the update related to Tariff Control No. 47005.

Based on the above information, Staff recommends that the Commission do the following:

- A. Approve a pass-through rate change of \$4.00 using Staff's recommended calculation;
- B. Provide a copy of an approved tariff to the Applicant (attached); and
- C. Require that the Applicant issue refunds to customers for any pass-through rate change amount collected in excess of the \$4.00 per 1,000 gallons rate.

Attachment B

Amended Tariff (Rate Schedule Sections)



**WATER UTILITY TARIFF
Tariff Control No. 48307**

Suburban Utility Company
(Utility Name)

P.O. Box 455
(Business Address)

Spring, Texas 77383
(City, State, Zip Code)

(281) 444-7747
(Area Code/Telephone)

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

10835

This tariff is effective in the following county:

Harris County

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

N/A

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

Beaumont Place (PWS ID#1010098); Castlewood Subdivision (PWS ID#1010111); Cypress Bend Subdivision (PWS ID#1010119); Reservoir Acres Subdivision (PWS ID#1010197)

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	4
SECTION 3.0 -- EXTENSION POLICY	11

APPENDIX A -- DROUGHT CONTINGENCY PLAN
APPENDIX B -- SAMPLE SERVICE AGREEMENT
APPENDIX C -- 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" x 3/4"	\$23.00 (Includes 0 gallons)	\$2.15 per 1000 gallons up to 20,000 gallons
3/4"	\$23.00	\$2.40 per 1000 gallons from 20,001 to 35,000 gallons
1"	\$57.50	\$2.65 per 1000 gallons from 35,001 to 50,000 gallons
1½ "	\$115.00	\$3.00 per 1000 gallons from 50,001 gallons and up
2"	\$184.00	*Plus Pass Through fees below
3"	\$345.00	

*Pass Through For Cypress Bend Subdivision:

\$4.00 per 1000 gallons additional fee will be added as a Pass Through charge by North Harris County Regional Water Authority (NHCRWA) for the customers in Cypress Bend Subdivision.

Tariff Control No. 48307

\$0.99 per 1000 gallons (which is \$0.8526 plus line loss of 15 percent) will be added as a Pass Through charge by the City of Houston for customers in Castlewood Subdivision.

Tariff Control No. 44762

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 TO REMIT FEE TO THE TCEQ.

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 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.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50)..... \$50.00

COMMERCIAL & NON-RESIDENTIAL DEPOSIT 1/6TH OF ESTIMATED ANNUAL BILL

Tariff Control No. 48307

SECTION 1.0 -- RATE SCHEDULE (Continued)

RETURNED CHECK CHARGE \$25.00
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

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 \$35.00
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) \$5.00
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

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.

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 CONVERSION FEE Actual Conversion Cost, Not to Exceed Tap Fee
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS CHANGE OF SIZE OF AN EXISTING METER OR CHANGE IS REQUIRED BY MATERIAL CHANGE IN CUSTOMER'S SERVICE DEMAND.

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.

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE:

WHEN AUTHORIZED IN WRITING BY PUC 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)]

SECTION 1.0 -- RATE SCHEDULE (Continued)

PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE:

CHANGES IN FEE IMPOSED BY ANY NON-AFFILIATED THIRD PARTY WATER SUPPLIER OR UNDER GROUND WATER DISTRICT HAVING JURISDICTION OVER THE UTILITY SHALL BE PASSED THROUGH AS AN ADJUSTMENT TO THE WATER GALLONAGE CHARGE ACCORDING TO THE FOLLOWING FORMULA:

- AG = $\{G / (1 - L)\}$, where
- AG = adjusted gallonage charge, rounded to the nearest one cent;
- G = new gallonage charge (per 1,000 gallons);
- L = line loss for preceding 12 months, not to exceed 0.15