



Control Number: 48307



Item Number: 7

Addendum StartPage: 0

TARIFF CONTROL NO. 48307

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

§
§
§

**PUBLIC UTILITY COMMISSION
OF TEXAS**

2018 JUN 12 PM 1:37

**COMMISSION STAFF'S RESPONSE TO UNDINE TEXAS'
SUGGESTED CORRECTIONS TO NOTICE OF APPROVAL**

COMES NOW the Commission Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files this response to Undine Texas, LLC's (Undine) Suggested Corrections to Notice of Approval. Staff recommends that the application be approved using the rates incorporating a recovery for higher line loss. 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). Undine requested 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 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.² Undine's proposed increase applies to the Cypress Bend Subdivision, Public Water System No. 1010119, and Undine requested an effective date of April 1, 2018.³

On May 23, 2018, Staff filed its Sufficiency & Final Disposition Recommendations recommending that the application be approved using a Staff-calculated rate which capped line loss recovery at 15%.⁴ On May 25, 2018, the Commission Administrative Law Judge (ALJ) issued a Notice of Approval approving Undine's application using the Staff-calculated rate.⁵ On June 5,

¹ Application at 1-2 (Apr. 23, 2018).

² *Id.* at 2.

³ *Id.*

⁴ See Commission Staff's Sufficiency & Final Disposition Recommendations at 2 and 5-6 (May 23, 2018).

⁵ Notice of Approval at 2 (May 25, 2018).

7

2018, Undine filed Suggested Corrections to Notice of Approval pursuant to 16 TAC § 22.35(c)(1). This subsection allows parties to file suggested corrections to a notice of approval within 15 days of the issuance of such notice.⁶ Pursuant to 16 TAC § 22.78(a) and unless otherwise indicated, responsive pleadings are due within five working days after receipt of the pleading to which the response is made. Therefore, this pleading responding to Undine's Suggested Corrections is timely filed.

II. RESPONSE TO UNDINE'S SUGGESTED CORRECTIONS

As further indicated by the attached memorandum of Kathryn Eiland of the Commission's Water Utility Regulation Division (Attachment A), Staff has reviewed the facts asserted and arguments made in Undine's Suggested Corrections to Notice of Approval. Undine states that it has been the manager of the Suburban Utility, including the Cypress Bend subdivision system, for only four of the twelve months included in the time period used to calculate line loss.⁷ As a temporary manager, Undine asserts that it is not authorized or obligated to invest its own funds in making capital improvements to address systemic line loss.⁸ Furthermore, Undine states that it is in the process of purchasing Suburban Utilities and that it intends to make such capital improvements to improve line loss after acquiring ownership.⁹

Because 16 TAC § 24.21(b)(2)(E) allows the Commission to consider line loss on a case-by-case basis and given the reasons raised in Undine's Suggested Corrections, Staff amends its prior Final Disposition Recommendation and agrees that an amendment to the Notice of Approval in order to approve Undine's originally requested rate of \$5.28 per 1,000 gallons, which incorporates recovery for 35.6% line loss, is reasonable. Staff confirmed that Undine filed a Capital Improvement Plan Summary in Docket No. 47396 that affirms its commitment to make improvements to the system at issue after Undine acquires ownership.¹⁰ Staff believes that this Plan sufficiently indicates management's intent to improve the system and reduce or eliminate the

⁶ 16 Tex. Admin. Code § 22.35(c)(1).

⁷ Undine Texas LLC's Suggested Corrections to Notice of Approval at 3 (June 5, 2018).

⁸ *Id.*

⁹ *Id.* at 3-4.

¹⁰ See *Application of Undine Texas, LLC and Suburban Utility Company for Sale, Transfer, or Merger of Facilities and Certificate Right in Harris County*, Docket No. 47836, Capital Improvements Plan Summary at 2 (Oct. 9, 2017) (indicating that to address water loss after purchasing the system, Undine will perform a leak detection survey, leak repair, meter inspection and replacement program, and install isolation valves).

higher line loss. If the ALJ agrees with Undine's arguments, Staff recommends that the Notice of Approval be amended to approve the originally applied for rate of \$5.28 per 1,000 gallons. An amended tariff is attached for consideration reflecting such rate (Attachment B).

Dated: June 12, 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 June 12, 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: June 6, 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 requested 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. The proposed increase included a 35.6% recovery for line loss; however, no explanation was provided for why a 35.6% recovery for line loss was necessary. Staff recommended a maximum line loss of 15%. This policy is in place in order to conserve water and encourage management to fix leaks. Accordingly, Staff recalculated a pass-through rate of \$4.00 using the maximum amount of 15%. On May 25, 2018, the Commission approved the pass-through rate of \$4.00.

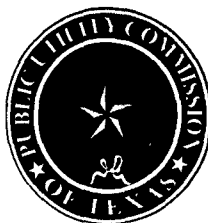
On June 5, 2018, the Applicant filed suggested corrections to the Notice of Approval and included information regarding their role as temporary manager since late September 2017, the impact on the under collection of revenue if line losses for 2018 continue at the same rate as in 2017, and the future Capital Improvement Plan to be overseen by the Texas Commission on Environmental Quality. Staff has confirmed that the Applicant filed a Capital Improvement Plan Summary in Docket 47396, which indicates the Applicant's commitment to make improvements to the systems after they acquire ownership. The Commission has appointed Undine as temporary manager with the understanding that Undine will exercise good management of the utility and of public resources. Staff believes that Undine will address the excessive water loss as soon as possible within the context of other required improvements.

Based on the above information, Staff finds that the additional information provided by the Applicant is sufficient to recommend that the Applicant recover 35.6% line loss and recommends that the Commission:

1. Approve the pass-through rate of \$5.28 per 1,000 gallons as originally requested; and
2. Provide a copy of the approved tariff to the Applicant (attached).

Attachment B

Amended Tariff Reflecting Rate
With Higher Line Loss Recovery



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>Gallonge Charge</u>
5/8" x 3/4"	<u>\$23.00</u> (Includes 0 gallons)	<u>\$2.15</u> per 1000 gallons up to 20,000 gallons
3/4"	<u>\$23.00</u>	<u>\$2.40</u> per 1000 gallons from 20,001 to 35,000 gallons
1"	<u>\$57.50</u>	<u>\$2.65</u> per 1000 gallons from 35,001 to 50,000 gallons
1½"	<u>\$115.00</u>	<u>\$3.00</u> per 1000 gallons from 50,001 gallons and up
2"	<u>\$184.00</u>	*Plus Pass Through fees below
3"	<u>\$345.00</u>	

*Pass Through Fees:

\$5.28 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. [16 TAC 24.21(b)(2)(F)]

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