

Control Number: 48579



Item Number: 6

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**TARIFF NO. 48579**

**APPLICATION OF SWWC UTILITIES,  
INC. D/B/A HORNSBY BEND UTILITY  
COMPANY, INC. FOR APPROVAL OF  
A PASS-THROUGH RATE CHANGE**

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

2018 OCT 19 AM 11:00

FILING CLERK

**COMMISSION STAFF'S RECOMMENDATION**

**COMES NOW** the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this Recommendation in response to a Notice Finding the Application Incomplete and Deficient and Establishing an Opportunity to Cure and shows the following:

**I. BACKGROUND**

On August 8, 2018, SWWC Utilities, Inc. d/b/a Hornsby Bend Utility Company, Inc. (Hornsby Bend) filed for approval of a pass-through rate change to implement its approved purchased water pass-through clause pursuant to 16 Texas Administrative Code (TAC) §24.21 (renumbered to §24.25 in Project No. 48526, effective October 17, 2018). The purchased water pass-through clause will only pass through costs associated with water purchases from the Epcor 130 Project Inc. The Applicant requested to decrease the purchased water pass-through charge to customers from \$0.39 to \$0.37 per 1,000 gallons effective September 1, 2018. Staff recommends a rate lower than requested of \$0.35 per 1,000 gallons.

On September 10, 2018, a Notice was issued, finding the application to be incomplete and deficient, establishing a deadline of October 5, 2018 for Hornsby Bend to cure the deficiencies, and establishing a deadline of October 19, 2018 for Staff to file a supplemental recommendation on the application and sufficiency of notice, and if the application is sufficient, Commission Staff would provide approved tariff pages to Hornsby Bend by November 2, 2018. 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 and notice and recommends that both be deemed sufficient. Staff's review also indicates that the application and notice meet the requirements of 16 Texas Administrative Code (TAC) § 24.21 (now §24.25). Staff therefore recommends that the application be approved and that the attached tariff pages be provided to Applicant.

## III. CONCLUSION

For the reasons detailed above, Staff respectfully recommends that the application and notice be deemed sufficient, that the application be approved, and that Applicant be provided a copy of the attached tariff sheets.

Date: October 19, 2018

Respectfully Submitted,

### **PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

Katherine Lengieza Gross  
Managing Attorney



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Patrick D. Todd  
State Bar No. 24106513  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326  
(512) 936-7290  
(512) 936-7268 (facsimile)  
Patrick.Todd@puc.texas.gov

**TARIFF NO. 48579**

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on October 19, 2018, in accordance with 16 TAC § 22.74.

A handwritten signature in black ink, appearing to read "Patrick D. Todd", written over a horizontal line.

Patrick D. Todd

## PUC Interoffice Memorandum

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**To:** Patrick Todd, Attorney  
Legal Division

**Thru:** Debi Loockerman, Financial Manager  
Water Utility Regulation Division

**From:** Kathryn Eiland, Financial Analyst  
Water Utility Regulation Division

**Date:** October 19, 2018

**Subject:** **Tariff Control No. 48579, Application of SWWC Utilities, Inc. d/b/a Hornsby Bend Utility Company, Inc. for Approval of a Pass-Through Rate Change**

On August 8, 2018, SWWC Utilities, Inc. dba Hornsby Bend Utility Company (Applicant), Certificate of Convenience and Necessity No. 11978, filed a notice with the Public Utility Commission of Texas (Commission) to implement an adjustment of its purchased water pass-through clause pursuant to 16 Texas Administrative Code (TAC) §24.25 (formerly §24.21). The Applicant requested to decrease the purchased water pass-through charge to customers from \$0.39 to \$0.37 per 1,000 gallons effective September 1, 2018. Staff recommends a rate lower than requested of \$0.35 per 1,000 gallons.

The Applicant provided a copy of the notice given to customers prior to the effective date of the decrease, documentation of the rate increase from the wholesale provider, invoices from the provider supporting the current cost of purchased water, a worksheet with supporting calculations and assumptions for the new rate, a true-up report reconciling the expense and revenue from the pass-through charges going back to July 2015 and a copy of the previously approved rate page out of the tariff for the affected subdivisions with the pass-through amount specified.

Staff conducted a technical review of this application and prepared a final tariff reflecting the implementation of the pass-through change. The monthly amount charged to the Applicant for the next effective date is \$67,421.25. The contract includes a "take or pay" provision which requires that the Applicant pay a certain amount whether or not water is delivered. The percentage of water to be taken by the Applicant in the next year is estimated and adjusted to actual in the following year.

The purchased water pass-through clause in the Applicant's approved tariff,  $AG = (CP / GB) \times 1,000$ , requires the pass-through to be based on the difference of the previous rates and new rates per 1,000 gallons for the most recent 12 month billing period, which is  $\$809,055 - \$815,360 = (\$6,305)$ . The difference in the rate price is divided by the number of gallons billed to customers. No gallons are included in the base charge; therefore, the total number of gallons sold over the 12 month billing period was used, which was 175,307 gal x 1,000. Thus, the purchased water pass-through cost per 1,000 gallons is as follows:

$((\$6,305) \div 175,307) = (\$0.036)$ , rounded to  $(\$0.04)$ .

The current pass-through rate of \$0.39 per 1,000 gallons minus the purchased water pass-through cost of (\$0.04) per 1,000 gallons results in a new Staff recommended pass-through rate of \$0.35 per 1,000 gallons. Staff calculated the recommended rate using only the over collection reported for the effective date of August 1, 2017 because the true-up for the previous years should have been filed with the respective pass-through implementation request that was filed in that year. Furthermore, 16 TAC § 24.25(C)(v) indicates a twelve month true up period. The Applicant filed to implement a pass-through change in all three years, however the current application is the only one that requests a true-up calculation.

The application shows that the Applicant experienced the following:

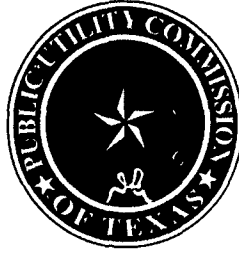
<b>Effective date</b>	<b>Over (Under) Collection</b>	<b>True up filed by Applicant?</b>
July 1, 2015	(\$4,293.38)	No-no tariff provision
July 1, 2016	\$398.92	No-no tariff provision
August 1, 2017	\$1,437.32	Yes, true up filed for all three years; tariff provision requested

There is no true-up provision in the current approved tariff, however, Staff requests that a true up be approved going forward because 16 TAC § 24.25(b)(2)(C) (formerly § 24.21(b)(2)(C)) states, in part, “A pass-through provision may only include passing through of the actual costs charged to the utility”. In this case, the complex rate calculation and estimates not historically accurate with regard to actual charges, which leads Staff to believe that a true up is required once per year. Furthermore, the notice contains the statement, “the cost to you as a result of this change will not exceed the costs charged to your utility”. Without the true up provision, this statement is incorrect. The Applicant also reflected a true up provision in calculations. Therefore, Staff believes it is appropriate to require the over collection for this true up request to be credited going forward as part of a true-up.

Typically, a true-up report is required by 16 TAC § 24.25(b)(2)(C) (formerly § 24.21(b)(2)(C)) in association with a combined pass-through provision which includes more than one pass-through provider and multiple costs. Costs passed through for single providers include a simple gallons pumped cost of a few cents; therefore, the probability of over or under collection is very low because the gallonage charge alone is passed through to the customer by the customer’s metered usage.

Based upon review of the information, Staff finds that the application is sufficient and recommends that the Commission:

1. Deem the application sufficient for filing;
2. Approve the pass-through rate of \$0.35 per 1,000 gallons as recommended by Staff effective September 1, 2018;
3. Order the Applicant to refund, as a credit to customers’ bills, any amounts collected after the effective date that exceed the approved rate within 30 days of the final order in this docket; and
4. Approve the attached tariff pages and provide a copy to the Applicant.



**WATER UTILITY TARIFF**  
**Tariff Control Number 48579**

SWWC Utilities, Inc., dba  
Hornsby Bend Utility Company, Inc.  
(Utility Name)

12535 Reed Rd.  
(Business Address)

Sugarland, TX 77478-2837  
(City, State, Zip Code)

(866) 654-7992  
(Area Code/Telephone)

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

11978

This tariff is effective in the following counties:

Travis

This tariff is effective in the following subdivisions or systems:

Austin's Colony:PWS ID # 2270255 serving Austin's Colony, Forest Bluff, Tecolote Farms, Birch Addition, Bountiful Harvest, Mission of Santa Barbara, Twin Creek Meadows, Plain View Estates, Betty Francis Addition, Rod Stewart Addition, Francis Subdivision, Decker Creek Estates, Hornsby Bend, The Tommy Reaux Subdivision, Trinity Hill

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The above utility lists the following sections of its tariff (if additional pages are needed for a section, all pages should be numbered consecutively):

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SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

Phase I rates effective January 1, 2014

<u>Meter Size</u>	<u>Monthly Minimum Charge</u> (Includes 0 gallons all meters)	<u>Gallonage Charge</u>
5/8"	<u>\$45.00</u>	<u>\$6.87</u> per 1,000 gallons
3/4"	<u>\$67.50</u>	
1"	<u>\$112.50</u>	
1½"	<u>\$225.00</u>	
2"	<u>\$360.00</u>	
3"	<u>\$675.00</u>	
4"	<u>\$1,125.00</u>	
6"	<u>\$2,250.00</u>	
8"	<u>\$3,600.00</u>	
10"	<u>\$5,175.00</u>	
12"	<u>\$11,250.00</u>	

Phase II rates effective January 1, 2017

<u>Meter Size</u>	<u>Monthly Minimum Charge</u> (Includes 0 gallons all meters)	<u>Gallonage Charge</u>
5/8"	<u>\$47.03</u>	<u>\$7.18</u> per 1,000 gallons
3/4"	<u>\$70.55</u>	
1"	<u>\$117.58</u>	
1½"	<u>\$235.15</u>	
2"	<u>\$376.24</u>	
3"	<u>\$705.45</u>	
4"	<u>\$1,175.75</u>	
6"	<u>\$2,351.50</u>	
8"	<u>\$3,762.40</u>	
10"	<u>\$5,408.45</u>	
12"	<u>\$11,757.50</u>	

Pass Through Fee Applied to Gallonage Charge ..... \$0.35 per 1,000 gallons  
**(Tariff Control No. 48579)**

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

Cash X, Check X, Money Order X, MasterCard X, Visa X, Electronic Fund Transfer X

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. AT THE CUSTOMER'S OPTION, ANY BILLING TRANSACTION OR COMMUNICATION MAY BE PERFORMED ON THE INTERNET. THIS INCLUDES THE UTILITY SENDING PAPERLESS BILLS BY EMAIL.

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 TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (TCEQ).



SECTION 1.0 -- RATE SCHEDULE (Continued)

Section 1.02 – Miscellaneous Fees

TAP FEE.....\$700.00

TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" METER PLUS UNIQUE COSTS AS PERMITTED BY PUC RULE AT COST.

TAP FEE (Unique costs) .....Actual Cost

FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

LARGE METER TAP FEE.....Actual Cost

TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METERS LARGER THAN STANDARD 5/8" METERS.

RECONNECTION FEE

THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS:

- a) Non-payment of bill (Maximum \$25.00) .....\$25.00
  - b) Customer's request.....\$50.00
- or other reasons listed under Section 2.0 of this tariff

TRANSFER FEE.....\$45.00

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

LATE CHARGE..... 10%

A ONE-TIME PENALTY MAY BE MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE .....\$25.00

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

COMMERCIAL AND NON-RESIDENTIAL DEPOSIT ..... 1/6TH EST. ANNUAL BILL

METER TEST FEE (actual cost of testing the meter up to).....\$25.00

THIS FEE 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.

METER RELOCATION FEE ..... Actual Relocation Cost

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS RELOCATION OF AN EXISTING METER.

METER CONVERSION FEE ..... Actual Cost to Convert Meter

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS CHANGE OF SIZE OF AN EXISTING METER OR CHANGE IS REQUIRED BY MATERIAL CHANGE IN CUSTOMERS SERVICE DEMAND.

SEASONAL RECONNECTION FEE:

BASE RATE FOR METER SIZE TIMES NUMBER OF MONTHS OFF THE SYSTEM NOT TO EXCEED SIX MONTHS WHEN LEAVE AND RETURN WITHIN A TWELVE MONTH PERIOD.

SECTION 1.0 -- RATE SCHEDULE (Continued)

Section 1.02 – Miscellaneous Fees (Continued)

**LINE EXTENSION AND CONSTRUCTION CHARGES:**

REFER TO SECTION 2.12 SPECIFIC UTILITY SERVICE RULES AND SECTION 3.02 UTILITY SPECIFIC EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES.

**GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:**

INCREASES IN INSPECTION FEES AND WATER TESTING COSTS IMPOSED BY STATE OR FEDERAL LAW MAY BE PASSED THROUGH AS AN ADJUSTMENT TO THE MONTHLY BASE RATE CHARGE UNDER THE TERMS AND CONDITIONS OF 16 TAC 24.21(b)(2)(F) AFTER NOTICE TO CUSTOMERS AND UPON WRITTEN APPROVAL BY THE PUC.

**SUPPLEMENTAL EMERGENCY SERVICE FEE**

APPLICABLE TO NONRESIDENTIAL WATER SERVICE CUSTOMERS WHO REQUIRE SUPPLEMENTAL SERVICE OVER AND ABOVE THEIR EXISTING WATER SERVICE FROM TIME TO TIME. USAGE IS TO BE DETERMINED BY CUSTOMER. THE MINIMUM DIAMETER FOR SUPPLEMENTAL SERVICE METER SHALL BE 2 INCHES.

MONTHLY SUPPLEMENTAL SERVICE RATE: .....\$13.43  
PER INCH DIAMETER OF SERVICE CONNECTION METER

METER TAMPERING, DAMAGE OR DIVERSION FEE: .....\$100.00  
ONE TIME PENALTY PER OCCURRENCE FOR TAMPERING WITH OR DAMAGING A WATER METER OR ANY APPURTENANCE THERETO INCLUDING LOCKS AND METER BOXES OR SERVICE DIVERSION OF ONE HUNDRED DOLLARS (\$100.00)

SECTION 1.0 -- RATE SCHEDULE (Continued)

Section 1.02 – Miscellaneous Fees (Continued)

**TEMPORARY WATER RATE:**

Unless otherwise superseded by PUC order or rule, if the Utility is ordered by a court or governmental body of competent jurisdiction to reduce its pumpage, production or water sales, the Utility shall be authorized to increase its approved gallonage charge according to the formula:

$$TGC = cgc + \frac{(pr)(cgc)(r)}{(1.0-r)}$$

Where:

- TGC = temporary gallonage charge
- cgc = current gallonage charge
- r = water use reduction expressed as a decimal fraction (the pumping restriction)
- pr = percentage of revenues to be recovered expressed as a decimal fraction, for this tariff pr shall equal 0.5.

To implement the Temporary Water Rate, the utility must comply with all notice and other requirements of 30 TAC 24.21(l).

**PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE - ALL WATER SUBJECT TO FEE:**

Changes in fees imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

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

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

SECTION 1.0 -- RATE SCHEDULE (Continued)

Section 1.02 – Miscellaneous Fees (Continued)

**PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE – PORTION OF WATER SUBJECT TO FEE:**

Upon notice from a water supplier of either an increase or a decrease in the cost of purchased water, the utility shall provide notice to customers and the Commission of its intent to implement rates imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

$$\text{Adjustment to the gallonage rate: } AG = (CP/GB) \times 1,000$$

$$\text{Adjustment to the minimum bill: } AMB = GMB \times AG$$

Where:

CP:  $CP1 - CP0$  = Change in cost of purchased water

CP1: Cost of purchased water during the most recent 12 month period at the new rates;

CP0: Cost of purchased water during the most recent 12 month period at the previous rates;

GMB: Number of gallons in the minimum bill, divided by 1,000; and

GB: Number of gallons billed to customers in excess of the amount included in the monthly minimum bill for the 12 Month period used above.

The pass through implementation and true up report shall be filed once per year.

**FRANCHISE FEE PASS THROUGH CLAUSE:**

Charges a municipality makes for use of streets and alleys pursuant to Tax Code §182.025 or other applicable state law shall be passed through as an adjustment to the water gallonage charge according to the following formula:

$$AG = G + B$$

Where:

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

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

B = projected franchise fees payable (per 1,000 gallons).