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SOAH DOCKET NO. 473-20-1674.WS  
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APPLICATION OF NORTHTOWN  
ACRES WATER SUPPLY FOR  
AUTHORITY TO CHANGE RATES

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BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE HEARINGS

PUBLIC UTILITY COMMISSION  
REGISTRATION UNIT

COMMISSION STAFF'S RECOMMENDATION ON SUFFICIENCY  
OF AMENDED APPLICATION

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

I. BACKGROUND

On January 17, 2019, Northtown Acres Water Supply (Northtown Acres) filed an application with the Commission for a rate change under Texas Water Code (TWC) § 13.1871. State Office of Administrative Hearings (SOAH) Order No. 3, filed on February 10, 2020, abated this proceeding and SOAH Order No. 4, filed on March 5, 2020, continued the abatement contingent on Northtown Acres making diligent efforts to prepare and file a sale, transfer, or merger (STM) application. Included in that application was a request to amend Northtown Acres' certificate of convenience and necessity (CCN) number 11704 with the uncertificated area that encompasses the North Petty Chapel subdivision, which Northtown Acres has been serving for many years.<sup>1</sup>

SOAH Order No. 8, filed on November 6, 2020, lifted the abatement. On December 16 and December 17, 2020, Northtown Acres filed an amended application, reflecting an updated test year and the cost to serve all service area and customers that are included in CCN number 11704 as a result of the STM.<sup>2</sup>

On December 9, 2020, the SOAH Administrative Law Judges (ALJs) filed SOAH Order No. 9, requiring Staff to file comments on the sufficiency of the amended application and

<sup>1</sup> Application of Sheroll Richardson, Administrator of the Estate of Herb Madison and Sheroll and Roger Richardson dba Northtown Acres Water Supply for Sale, Transfer, or Merger of Facilities and Certificate Rights in Navarro County, Docket No. 50189, Application at 1-2 (May 5, 2020).

<sup>2</sup> Docket No. 50819 is almost complete and is awaiting a Notice of Approval.

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whether any new notice is appropriate by January 15, 2021. Therefore, this pleading is timely filed.

## II. SUFFICIENCY OF THE AMENDED APPLICATION

Staff has reviewed the amended application and recommends that the amended application be deemed administratively complete, consistent with TWC § 13.1871. Additionally, Staff recommends that Northtown Acres be required to provide new notice. The original application requested a revenue requirement less other revenues of \$151,399,<sup>3</sup> while the amended application requests a revenue requirement less other revenues of \$292,425.<sup>4</sup> In addition, the cost of water purchased from the City of Corsicana increased from \$61,379<sup>5</sup> in the original application to \$95,302<sup>6</sup> in the amended application. Finally, the customer count used to design the requested rates increased from 158<sup>7</sup> in the original application to 211<sup>8</sup> in the amended application. Due to the more than \$140,000 increase to the revenue requirement used to design rates (an increase that almost doubles the revenue requirement Northtown Acres used to design the rates initially requested), Staff recommends that the amended application should be treated as a new application, which is consistent with the Honorable ALJs' directive that Staff evaluate the amended application for sufficiency. As such, customers should be provided new notice with a new effective date that is 35 days after the date the notice is issued, along with an additional opportunity to intervene. Once notice is deemed sufficient, Staff further recommends that the new effective date should be suspended for 265 days under 16 TAC 24.33(a).

Northtown Acres has raised concerns that additional notice would only cause additional expense to customers and may result in confusion rather than clarification.<sup>9</sup> Staff believes that the first concern could be alleviated by providing the new notice as a billing insert to avoid having to incur billing expenses, like postage, related to preparing a separate mailing. Staff also

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<sup>3</sup> Application at Schedule I-1, Line 31 (Jan. 17, 2019).

<sup>4</sup> Northtown Acres' Amendment to Application at Schedule I-1, Line 31 (Dec. 16, 2020) (Amended Application).

<sup>5</sup> Application at Schedule I-1, Line 1.

<sup>6</sup> Amended Application at Schedule I-1, Line 1.

<sup>7</sup> Application at Schedule I-3.

<sup>8</sup> Amended Application at Schedule I-3.

<sup>9</sup> Amended Application at 3.

acknowledges the potential for customer confusion. However, this concern must be weighed against the fact that Northtown Acres has not had a rate increase in many, many years, and Staff believes it is likely that this proceeding will result in a rate increase. Accordingly, customers who have not already intervened should be apprised of the rate increase Northtown Acres is requesting in the amended application such that they can re-evaluate the decision to intervene based on the rates that result from the greatly increased revenue requirement.

Finally, Staff notes that the amended application requests to recover purchased water costs through base rates rather than a separate pass-through charge.<sup>10</sup> To accomplish this, while still allowing Northtown Acres to keep pace with increases in the City of Corsicana’s rates, Northtown Acres proposes a formula to be used to calculate a pass-through surcharge that would be implemented the next time the City of Corsicana raises the third tier of the volumetric rates it charges to Northtown Acres.<sup>11</sup> While the evaluation of Northtown Acres’ proposed method for recovering purchased water costs is an issue related to the merits of the application, this request has a direct impact on how the rates will be presented in the notice sent to customers.

Specifically, the notice to customers under Northtown Acres’ proposal would include minimum monthly charges by meter size and tiered volumetric rates. The notice would not include a pass-through rate because the pass-through surcharge proposed by Northtown Acres would not be effective until the next time the City of Corsicana raises its rates. Accordingly, Staff recommends that, in addition to the Commission-approved notice of proposed rate change, Northtown Acres include a separate page with information about the proposed pass-through surcharge. This will ensure that customers receive notice of the pass-through surcharge Northtown Ares has proposed in this proceeding.

#### IV. PROPOSED PROCEDURAL SCHEDULE

In accordance with Staff’s recommendation that the amended application is sufficient and that new notice be required, Staff proposes the following procedural schedule:

Event	Date
Deadline for Northtown Acres to file with the Commission signed affidavits that the notice was given along with a copy of the notice	February 5, 2021

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<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 4.

Deadline for Staff to file a recommendation on sufficiency of notice	February 26, 2021
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**V. CONCLUSION**

For the reasons detailed above, Staff respectfully recommends that Northtown Acres' amended application be found sufficient and that Northtown Acres be required to provide new notice with a new effective date consistent with the procedural schedule proposed above.

Dated: January 15, 2021

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

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**CERTIFICATE OF SERVICE**

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on January 15, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.

*/s/ Taylor P. Denison*  
Taylor P. Denison