



Control Number: 49088



Item Number: 3

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**APPLICATION OF NERRO SUPPLY,
LLC FOR A PASS THROUGH RATE
CHANGE**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

2019 FEB -5 AM 9:41

PUBLIC UTILITY COMMISSION
FILING CLERK

COMMISSION STAFF'S SUFFICIENCY RECOMMENDATION

COMES NOW the Commission Staff of the Public Utility Commission of Texas (Commission), representing the public interest, and files this Recommendation on Sufficiency of the Application. Staff recommends that the application be deemed insufficient for filing at this time. In support thereof, Staff shows the following:

I. BACKGROUND

On January 10, 2019, Nerro Supply LLC (Nerro), Certificate of Convenience and Necessity No. 12252, filed an application to implement a pass-through rate change pursuant to 16 Texas Administrative Code § 24.25 for an increase in purchased water fees from the Brazos Valley Groundwater Conservation District (Brazos Valley GCD) effective January 1, 2019 . The review of a proposed revision of a utility's billings to its customers to allow the recovery of additional costs under the utility's approved pass through provision is an informal proceeding. Only Staff, or the utility, may request a hearing on the proposed revision. On January 15, 2019, the Administrative Law Judge (ALJ) issued a notice setting the deadline for Staff's recommendation on the application by February 9, 2019. This pleading is therefore timely filed.

II. RECOMMENDATION

As detailed in the attached memorandum (Attachment A) of Nabaraj Pokharel, Engineering Specialist with the Commission Water Utilities Division, Staff has reviewed the application and recommends that the application be deemed insufficient for filing at this time. Attachment A sets forth the information required by the Applicant to supplement and cure the noted deficiencies. Staff will be filing discovery shortly per the attached memorandum (Attachment A) of Nabaraj Pokharel.

III. CONCLUSION

Staff recommends that the application be deemed administratively incomplete and that the Applicant be given until March 4, 2019, to cure the noted deficiencies. Additionally, Staff respectfully requests the ALJ set April 4, 2019, as the deadline for Staff to make a recommendation on the sufficiency of the application or propose a procedural schedule. Staff respectfully requests that the ALJ issue an order consistent with this Response.

Dated: February 5, 2019

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Katherine Lengieza Gross
Managing Attorney



Rustin Tawater
State Bar No. 224110430
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7230
(512) 936-7268 (facsimile)
rustin.tawater@puc.texas.gov

DOCKET NO. 49088

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on February 5, 2019 in accordance with 16 TAC § 22.74.

A handwritten signature in black ink, appearing to be 'RT' followed by a horizontal line.

Rustin Tawater

ATTACHMENT A

PUC Interoffice Memorandum

To: Rustin Tawater, Attorney
Legal Division

Through: Debi Loockerman, Financial Manager
Water Utility Regulation

From: Nabaraj Pokharel, Engineering Specialist
Water Utility Regulation

Date: January 23, 2019

Subject: **Tariff Control No. 49088;** *Application of Nerro Supply LLC for a Pass-Through Rate Change*

On January 10, 2019, Nerro Supply LLC (Nerro), Certificate of Convenience and Necessity No. 12252, filed an application to implement a pass-through rate change pursuant to 16 Texas Administrative Code § 24.25 for an increase in purchased water fees from the Brazos Valley Groundwater Conservation District (Brazos Valley GCD) effective January 1, 2019. The Applicant proposes to increase their current pass-through rate from \$0.04625 to \$0.05 per 1,000 gallons for customers in Smetana Forest, Lakewood Estates, Oak Forest, Lakeway, Manor and Benchley Oaks Subdivisions.

The Applicant provided the following for each subdivision:

1. Documentation from Brazos Valley GCD for the purchased water cost increase;
2. Historical documentation of line loss for one year;
3. Calculations and assumptions used to determine the new rate;
4. A copy of the notice to customers; and
5. A copy of the rate pages of its tariff.

Staff reviewed the application and finds that the calculations are correct. However, Brazos Valley GCD was already charging Nerro \$0.0425 prior to this application and there was no pass-through provision in the tariff, which means that Nerro or a previous owner may have included the recovery of Brazos Valley GCD's costs in the previous base rate and gallonage charge. If that is true and the current request was approved, then Nerro would be double recovering a portion of the expense.

Based on Staff's review of the application, Staff recommends that it be deemed insufficient for filing at this time. Staff recommends that the Applicant answer the following requests for information to resolve the deficiencies.

1. How long Brazos Valley GCD has been charging a fee to Nerro?
2. If any costs charged by Brazos Valley GCD to Nerro or any previous owners of the water system were included in the cost of service in a previous rate change application, please provide documentation as to the amount included in the cost of service.
3. Please provide the most recent bill that Brazos Valley GCD charged to Nerro.