



Control Number: 49100



Item Number: 20

Addendum StartPage: 0

DeAnn T. Walker
Chairman

Arthur C. D'Andrea
Commissioner

Shelly Botkin
Commissioner

John Paul Urban
Executive Director



Greg Abbott
Governor

Public Utility Commission of Texas

2019 SEP 10 PM 2:34
PUC TEL 512/936-7003
FAX 512/936-7003

TO: DeAnn T. Walker, Chairman
Arthur D'Andrea, Commissioner
Shelly Botkin, Commissioner

All Parties of Record

FROM: Mayson Pearson, Administrative Law Judge **MP**
Docket Management

RE: **Open Meeting of October 11, 2019**
Docket No. 49100 – *Application of T & W Water Service Company for a
Minor Tariff Change Resulting from Change in Federal Tax Law*

DATE: September 19, 2019

Enclosed is a copy of the Proposed Order in the above-referenced docket. The Commission is currently scheduled to consider this docket at an open meeting to begin at 9:30 a.m. on Friday, October 11, 2019, at the Commission's offices, 1701 North Congress Avenue, Austin, Texas. The parties must file corrections or exceptions to the Proposed Order on or before Thursday, October 3, 2019.

If there are no corrections or exceptions, no response is necessary.

\ta
q \cadm\doCKET management\water\tariffs\49xxx\49100 po memo.docx



Printed on recycled paper

An Equal Opportunity Employer

1701 N. Congress Avenue PO Box 13326 Austin, TX 78711 512/936-7000 Fax: 512/936-7003 web site: www.puc.texas.gov

00000001

DOCKET NO. 49100

APPLICATION OF T & W WATER	§	PUBLIC UTILITY COMMISSION
SERVICE COMPANY FOR A MINOR	§	
TARIFF CHANGE (FEDERAL TAX	§	OF TEXAS
CUT CREDIT RIDER)	§	

PROPOSED ORDER

This Order addresses the application of T & W Water Service Company for approval of a federal tax cut credit (FTCC) rider to pass through estimated tax savings gained as a result of the Tax Cuts and Jobs Act of 2017 (TCJA).¹ The Commission approves the rider and grants T & W's requests related to requirements ordered in Project No. 47945.²

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. T & W is domestic for-profit corporation registered with the Texas secretary of state on January 18, 1979 under file number 46041000.
2. T & W provides water service under certificate of convenience and necessity number 12892 in Montgomery, Harris, and Liberty counties.
3. T & W is a class B water utility with more than 2,300 connections.

Application

4. On January 11, 2019, T & W filed an application requesting the following:
 - a. approval of the proposed FTCC rider; and
 - b. approval to deviate from the requirement in the Second Order in Project No. 47945 that requires all class B water utilities to record as a regulatory liability beginning on September 1, 2018 the following: (1) the difference between the revenues

¹ Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. L. No. 115-97, 113 Stat. 2054 (Dec. 22, 2017).

² *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Utility Companies*, Project No. 47945, Second Order (Aug. 30, 2018).

collected under existing rates and the revenues that would have been collecting had the existing rates been set using the recently approved federal income tax rates; and (2) the balance of excess accumulated deferred federal income taxes (ADFIT) that now exists because of the decrease in the federal income tax rates.³

5. In a notice issued February 20, 2019, the administrative law judge (ALJ) deemed the application administratively complete.
6. On March 14, 2019, Commission Staff recommended that the application be granted.
7. On March 18, 2019, T & W filed a supplement to its application that clarified that the FTCC rider would apply to all meter sizes set out in T & W's tariff.
8. On March 26, 2019, Commission Staff filed a supplemental recommendation again recommending that the application be granted, consistent with T & W's supplement.

Notice

9. On February 21, 2019, T & W issued notice of the application to approve the implementation of the FTCC rider to all affected customers.
10. On March 1, 2019, T & W filed the affidavit of Ronald L. Payne, president of T & W, attesting to the provision of notice mailed to affected customers on February 21, 2019.

Federal Tax Cut Credit Rider

11. T & W will refund the estimated balance of its regulatory liability for the period between August 30, 2018 and May 1, 2019 in one lump sum of \$5.63 per meter equivalent.
12. Commencing May 1, 2019, T & W will refund its yearly reduction in taxes in monthly installments of \$0.70 per meter equivalent.
13. For the billing period May 1, 2019 through May 31, 2019, T & W will refund \$6.34 per meter equivalent.
14. For billing periods starting on June 1, 2019, T & W will refund \$0.70 per meter equivalent.
15. The rates established by this Order accurately reflect the federal income tax rate reduction from 37% to 21% beginning September 1, 2018.

³ Second Order, at 2.

16. The FTCC rider does not address the accounting and rate making treatment of excess ADFIT arising from changes to the federal tax law in the TCJA.

Evidentiary Record

17. In a notice issued on May 2, 2019, the ALJ admitted the following evidence into the record: (a) T & W's application filed on January 11, 2019; (b) Commission Staff's recommendation on application sufficiency filed on February 8, 2019; (c) notice finding application sufficient filed on February 20, 2019; (d) T & W's request for change to application filed on February 25, 2019; (e) T & W's proof of notice filed on March 1, 2019; (f) Commission Staff's final recommendation filed on March 14, 2019; (g) T & W's supplement to application filed on March 18, 2019; and (h) Commission Staff's supplemental final recommendation filed on March 26, 2019.

Informal Disposition

18. More than 15 days have passed since the completion of notice provided in this proceeding.
19. No person filed a protest or motion to intervene.
20. Commission Staff and T & W are the only parties to this proceeding.
21. No party requested a hearing and no hearing is needed.
22. Commission Staff recommended approval of the supplemented application.
23. The decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. T & W is a water utility as defined in Texas Water Code (TWC) § 13.002(23) and 16 Texas Administrative Code (TAC) § 24.3(76).
2. The Commission has jurisdiction over the application under TWC §§ 13.041, 13.181, and 13.182.
3. T & W is a class B utility as defined in TWC § 13.002(4-b) and 16 TAC § 24.3(16).
4. The Commission has the authority to approve the FTCC rider under 16 TAC § 24.25(b)(2)(A)(v).

5. The Commission has the authority to implement the approved FTCC rider as a pass-through provision under § 24.25(b)(2)(C).
6. The notice provided to customers complies with 16 TAC § 24.25(b)(2)(F).
7. The application complies with the Second Order in Project No. 47945.
8. The Commission processed the application in accordance with the TWC and Commission rules.
9. The rates established by this Order are just and reasonable under TWC § 13.182(a).
10. In accordance with TWC § 13.182(b), the rates established by this Order are not unreasonably preferential, prejudicial, or discriminatory and are sufficient, equitable, and consistent in application to each class of customer.
11. The overall revenues produced by the rates established in this Order conform to TWC § 13.183.
12. The requirements for informal disposition in 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The Commission approves T & W's FTCC rider attached to Commission Staff's supplemental final recommendation filed on March 26, 2019.
2. The approved FTCC rider must remain in effect until T & W's next rate case.
3. T & W may defer for future regulatory treatment any amortization of the protected and unprotected excess ADFIT that it makes for accounting purposes and reflect such deferred liability amounts in the determination of T & W's rates in its next base rate application.
4. T & W must address, with its next rate case, the regulatory liability required by the Second Order in Docket No. 47945 for the balance of ADFIT that exists because of the decrease in the federal income tax rates.

5. Within ten days of the date of this Order, Commission Staff must file a clean copy of the approved FTCC rider for central records to mark *Approved* and be kept in the Commission's tariff books.
6. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the _____ day of October 2019.

PUBLIC UTILITY COMMISSION OF TEXAS

DEANN T. WALKER, CHAIRMAN

ARTHUR C. D'ANDREA, COMMISSIONER

SHELLY BOTKIN, COMMISSIONER

q:\cadm\doCKET management\water\tariffs\49xxx\49100 po.docx