

Control Number: 49605



Item Number: 12

Addendum StartPage: 0

DOCKET NO. 49605

**APPLICATION OF CARROLL
WATER CO., INC. FOR A PRICE
INDEX RATE ADJUSTMENT**

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PUBLIC UTILITY COMMISSION

FILED
2019 AUG 29 11 4 02
PUBLIC UTILITY COMMISSION
FILING CLERK

OF TEXAS

COMMISSION STAFF'S REPLY TO LETTER FROM CARROLL WATER CO. INC.

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this reply. In support thereof, Staff would show the following:

I. BACKGROUND

On June 5, 2019, Carroll Water Co., Inc. (Carroll) filed for a price index rate adjustment for the Grande Casa Ranchitos, Spanish Grant, Emerald Forest, and Lakeview Ranchettes Estates subdivisions. Carroll holds water certificate of convenience and necessity (CCN) No. 11543. Pursuant to Tex. Water Code (TWC) § 13.1872 and 16 Tex. Admin. Code (TAC) § 24.49(c), a Class C utility may request an increase to its tariffed rates. On August 15, 2019, Carroll filed a letter dated August 11, 2019, in response to Staff's August 2, 2019 supplemental recommendation. It appears that letter was filed to Docket No. 48855. On August 27, 2019, the letter was moved to Docket No. 49605.

II. REPLY

In the letter dated August 11, 2019, Carroll acknowledges that the Red Oak Community Public Water System (PWS) #0700056 was not included in the application for a price index rate adjustment. The utility asserts that as the Red Oak Community PWS is within the municipal boundaries of the city of Red Oak, those connections should not count towards Carroll's total connection count.¹ As such, Carroll asserts that it has fewer than 500 connections and should qualify for a Class C Price Index Rate Adjustment pursuant to TWC § 13.1872 and 16 TAC § 24.49(c).

Commission Staff respectfully disagrees and continues to support the position taken in its supplemental recommendation. Staff acknowledges that for rate-making purposes, the city of

¹ The city of Red Oak has not ceded jurisdiction to the Commission pursuant to TWC § 13.042(b).

Red Oak retains jurisdiction over Red Oak Community PWS and, if Carroll wants file a base rate case to change rates for those customers, it must appeal to the appropriate municipal authority. However, for the purposes of classifying a water or sewer utility as Class A, B, or C, the sole determining factor under TWC § 13.002(4-a) to (4-c) is the number of total connections that are provided service by that utility. As such, although the Commission does not have original jurisdiction to set base rates for those connections in the Red Oak Community PWS, those connections are nevertheless counted towards the determination of Carroll as a Class B utility.

Pursuant to TWC § 13.002(4-a) to (4-c), Carrol does not qualify as a Class C utility because it has more than 500 customer connections and should be considered as a Class B utility. 16 TAC § 24.49(a) provides that only Class C utilities may apply for a price index rate adjustment. Therefore, Carroll should not qualify for a price index rate adjustment.

III. CONCLUSION

Staff respectfully requests an order consistent with the above recommendation.

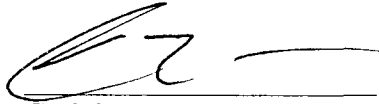
Dated: August 29, 2019

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Stephen Mack
Managing Attorney

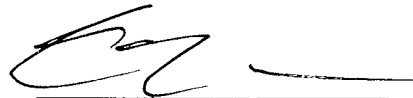


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CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the 29th of August 2019 in accordance with 16 TAC § 22.74.



Creighton R. McMurray