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DOCKET NO. 49605

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**APPLICATION OF CARROLL
WATER CO., INC. FOR A PRICE
INDEX RATE ADJUSTMENT** §
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**PUBLIC UTILITY COMMISSION
OF TEXAS**

COMMISSION STAFF'S SUPPLEMENTAL RECOMMENDATION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this supplemental recommendation. 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 utility may request an increase to its tariffed rates. Order No. 2, issued July 11, 2019, found the application to be administratively complete.

II. SUPPLEMENTAL RECOMMENDATION

As detailed in the attached memorandum of Spencer English in the Commission's Water Utility Regulation Division, Staff recommends denial of the price index rate adjustment because Carroll no longer qualifies as a Class C utility. Pursuant to TWC § 13.002(4-c), a Class C utility "provides service through fewer than 500 taps or connections." In the application, Carroll identifies 476 active water connections for the affected subdivisions of Grande Casa (Public Water System (PWS) No. 0700063),¹ Spanish Grant (PWS No. 0700064),² Emerald Forest (PWS

¹https://dww2.tceq.texas.gov/DWW/JSP/WaterSystemDetail.jsp?tinwsys_is_number=1497&tinwsys_st_code=TX&wsnumber=TX0700063%20%20%20&DWWState=TX

²https://dww2.tceq.texas.gov/DWW/JSP/WaterSystemDetail.jsp?tinwsys_is_number=1498&tinwsys_st_code=TX&wsnumber=TX0700064%20%20%20&DWWState=TX

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No. 0700058),³ and Lakeview Ranchettes (PWS No. 0700057).⁴ However, CCN No. 11543 contains a fifth subdivision – Red Oak Community Water Service (PWS No. 0700056).⁵

With the inclusion of that fifth subdivision, Carroll’s connection count totals 559 connections. Carroll, itself, reported the existence of 588 customer connections in its 2018 Annual Report to the Commission.⁶ Therefore, pursuant to TWC § 13.002(4-c), Carroll does not qualify as a Class C utility because it has more than 500 customer connections. Properly, Carroll should be considered as a Class B utility, as it “provides retail water or sewer utility service through 500 or more taps or connections but fewer than 10,000 taps or connections” under TWC § 13.002(4-b).

Price index rate adjustments are governed by TWC § 13.1872. Therein, subsection (a) states, “[t]his section applies only to a Class C utility.” Similarly, 16 TAC § 24.49(a) indicates that this kind of rate adjustment solely applies to Class C utilities. As Carroll is not a Class C utility, it does not qualify for a price index rate adjustment. Staff recommends that the classification be applied on a utility basis, regardless of the number of subdivisions.

Therefore, Staff recommends that Carroll provide the total number of current connections served in all subdivisions under CCN No. 11543. If that number is greater than 500 connections, then Staff recommends denial of the Class C price index rate adjustment.

III. CONCLUSION

Staff respectfully requests and order consistent with the above recommendation.

Dated: August 2, 2019

³https://dww2.tceq.texas.gov/DWW/JSP/WaterSystemDetail.jsp?tinwsys_is_number=1495&tinwsys_st_code=TX&wsnumber=TX0700058%20%20%20&DWWState=TX

⁴https://dww2.tceq.texas.gov/DWW/JSP/WaterSystemDetail.jsp?tinwsys_is_number=1494&tinwsys_st_code=TX&wsnumber=TX0700057%20%20%20&DWWState=TX

⁵https://dww2.tceq.texas.gov/DWW/JSP/WaterSystemDetail.jsp?tinwsys_is_number=1493&tinwsys_st_code=TX&wsnumber=TX0700056%20%20%20&DWWState=TX

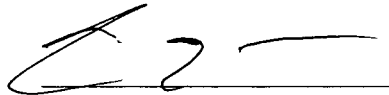
⁶ *Water and Wastewater Annual Report*, Docket No. 48918, Water and Wastewater Utilities Annual Report of Carroll Water Co., Inc. for the Calendar Year Ending 2018 at 4 (June 19, 2019).

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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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 2nd of August, 2019 in accordance with 16 TAC § 22.74.



Creighton R. McMurray

PUC Interoffice Memorandum

To: Creighton McMurray, Attorney
Legal Division

Thru: Debi Loockerman, Financial Manager
Water Utility Regulation Division

From: Spencer English, Financial Analyst
Water Utility Regulation Division

Date: August 1, 2019

Subject: **Application No. 49605; Application of Carroll Water Co., Inc. for a Price Index Rate Adjustment**

On June 5, 2019, Carroll Water Co., Inc. (Applicant) filed an application for a price index rate adjustment. Pursuant to Tex. Water Code Ann. § 13.1872 and 16 Tex. Admin. Code (TAC) § 24.49(c) a utility may request an increase to its tariffed rates.

On July 8, 2019, Staff filed a recommendation that the Commission deem the application administratively complete, as well as approve the updated rates. Staff was contacted by one of the Applicant's customers who believes that the Applicant is a Class B utility rather than a Class C utility because one subdivision was omitted from the Application. Upon further investigation, Staff found that the stated 476 connections¹ does not correspond with the 559 connection count from TCEQ's Drinking Water Watch² or the 588 connection count from the Applicant's 2018 Annual Report.³

Staff recommends that the Commission request clarification from the Applicant in regards to the total number of current connections served by the Applicant for all subdivision under its Certificate of Convenience and Necessity No. 11543. Staff recommends denial of the Class C price index rate adjustment if the current connection count is greater than 500.

¹ Application at 2.

² <https://dww2.tceq.texas.gov/DWW/>; PWS Nos. 0700056, 0700057, 0700058, 0700063, 0700064.

³ PUC Docket No. 48918, Item 216.