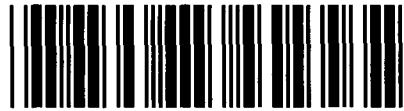


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DOCKET NO. 49759

APPLICATION OF MARK
PATTERSON FOR TEMPORARY
RATES FOR SERVICES PROVIDED
FOR A NONFUNCTIONING UTILITY

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2019 SEP 13 PM 2:24
PUBLIC UTILITY COMMISSION
FILING CLERK
OF TEXAS

COMMISSION STAFF'S RECOMMENDATION ON FINAL DISPOSITION

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

I. BACKGROUND

On July 17, 2019, Horseshoe Bend Water (Horseshoe) through its temporary manager, Mark Patterson, filed with the Public Utility Commission (Commission) a request for a temporary rate increase for Certificate of Convenience and Necessity (CCN) No. 10263 pursuant to Texas Water Code § 13.046 and 16 Texas Administrative Code (TAC) § 24.363 in Hood County, Texas. Mr. Patterson was appointed as temporary manager for Horseshoe and its public water system no. 1840002, by an order issued by the Texas Commission on Environmental Quality on July 3, 2019.

On August 20, 2019, the Administrative Law Judge (ALJ) issued Order No. 2 requiring Staff to file a final recommendation by September 17, 2019. Therefore, this pleading is timely filed.

II. FINAL RECOMMENDATION

As supported by the attached memorandum of Patricia Garcia of the Infrastructure Division, Staff recommends that the Commission:

- 1) Approve monthly operation expenses of approximately \$22,098 in order to properly operate the water system for 519 connections
- 2) Approve a proposed temporary tap fee of \$1,000 for a 3/4" meter, \$1,250 for a 1" meter, and \$2,500 for a 2" meter.

- 3) Approve a proposed temporary base rate of \$30.00 for a 3/4" meter, \$50.00 for a 1" meter, and \$207.49 for a 2" meter, and a temporary gallonage rate of \$3.30 per 1000 gallons, a lower rate than requested and noticed to customers, effective July __, 2019.
- 4) Order no refunds to the customers based on the temporary rates recommended. Staff recommends that the receiver deposit any amount collected in excess of the approved temporary rate between July 3, 2019 to September 13, 2019 into a special account in order to pay for any repairs or maintenance to the water system. If this excess amount has already been used to help pay for repairs or maintenance, Staff recommends that the receiver submit the invoices to substantiate the costs.
- 5) Order that the temporary rate shall remain in place in the event that the water system remains under a temporary manager, until such time as :
 - a. The temporary manager requests a new rate; or
 - b. A sale, transfer, merger application is approved and the utility is sold or a permanent rate is approved for the utility.
- 6) Order that the temporary manager continue to provide the following documentation monthly, by the last day of the month following the operational month, until the receiver's term is completed:
 - a. Summary of monthly operations including revenues and expenses with detailed list of actual expenses incurred for receiver's fees, repairs, chlorine, billing, operator costs, electricity and laboratory fees, sampling costs, etc.;
 - b. Copies of invoices or receipts to support the actual cost of service;
 - c. Actual number of customers at the beginning and ending of the month; and
 - d. A signed statement that copies of monthly reports have been provided to the TCEQ.

III.CONCLUSION

For the reasons stated above, Staff respectfully requests the issuance of an order consistent with the above recommendation.

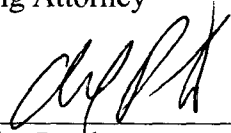
Dated: September 13, 2019

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Rachelle Nicolette Robles
Managing Attorney



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**DOCKET NO. 49759
CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on September 13, 2019, in accordance with 16 TAC § 22.74.



Alexander Petak

Public Utility Commission of Texas

Memorandum

To: Alexander Petak, Attorney
Legal Division

Thru: Heidi Graham, Director of Water Utility Engineering
Infrastructure Division

From: Patricia Garcia, Engineering Specialist
Infrastructure Division

Date: September 13, 2019

SUBJECT: **Docket No. 49759**, *Application of Mark Patterson for Temporary Rates for Services Provided for a Nonfunctioning Utility*

Background:

On July 17, 2019, Horseshoe Bend Water, through its temporary manager, Mark Patterson, filed with the Public Utility Commission (Commission or PUC) a request for a temporary rate increase pursuant to Texas Water Code § 13.046 and 16 Texas Administrative Code § 24.363 and § 24.43(b) in Hood County, Texas for Horseshoe Bend Water, Certificate of Convenience and Necessity (CCN) No. 10263 and Public Water System No. 1840002.

Mark Patterson, Patterson Professional Services, LLC, was appointed as the temporary manager for Horseshoe Bend Water by an emergency order issued by the Texas Commission on Environmental Quality (TCEQ) on July 3, 2019.

Mr. Patterson requests approval of a temporary rate increase in order to ensure sufficient funds are available to keep the water system operating properly within regulatory requirements. In addition, the temporary rate increase will allow for compensation to the temporary manager to make emergency repairs and required improvements on the system in order to begin to bring the water system into compliance with the TCEQ rules.

Documentation Reviewed:

Items that were reviewed in support of this rate increase include a list provided by the temporary manager for repairs, laboratory tests, electricity, and chlorine and receipts from the electric company providing service. The temporary manager requested a monthly revenue of \$26,062. Based on the documentation provided, Staff determined a monthly revenue of \$22,098 is necessary to properly operate the utility. The temporary manager requested the base rate and gallonage as shown in the chart below:

Base Rate	
5/8" or 3/4"	\$ 42.00
1"	\$ 57.00
2"	\$ 175.00

Volumetric Charge	\$ 4.00 per 1000 gallons
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In support of the temporary tap fee increase, the temporary manager submitted invoices for meters installed at a nearby water system. The invoice shows the cost of the meter installation to be approximately \$1,638 including labor. The temporary manager requests that the temporary tap fee be \$1,000 for a 3/4-inch meter, \$1,250 for a 1-inch meter and \$2,500 for a 2-inch meter.

Recommendation:

Based on Staff's review of the information in the application and the documentation described above, Staff recommends the following:

- 1) Monthly operation expenses of approximately \$22,098 in order to properly operate the water system for 519 connections.
- 2) Temporary tap fees of \$1,000 for a 3/4-inch meter, \$1,250 for a 1-inch meter and \$2,500 for a 2-inch meter.
- 3) Approval of the proposed temporary base rate specified below by meter size per month along with a temporary gallonage rate specified below. This is a lower rate than was originally requested and noticed to customers with an effective date of July 23, 2019.

Base Rate (including 0 gallons)	
3/4"	\$ 30.00
1"	\$ 50.00
2"	\$ 160.00

Volumetric Charge	\$ 3.30 per 1000 gallons
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- 4) No refunds to the customers based on the temporary rates recommended. Staff recommends that the temporary manager deposit any amount collected in excess of the approved temporary rate between July 3, 2019 to September 13, 2019 into a separate account in order to pay for any repairs or maintenance at the water system. If this excess amount has already been used to help pay for repairs or maintenance, Staff recommends that the temporary manager submit the invoices to substantiate the costs of the repair or maintenance.
- 5) Order that the temporary rate shall remain in place in the event that the water system remains under a temporary manager or receiver, until such time as:
 - a) The temporary manager or receiver requests a new rate; or

- b) A Sale, Transfer, Merger application is approved, and the Commission determines the temporary rates may stay in effect for a specific period of time.
- 6) Order the temporary manager to provide monthly, by the last day of the month following the operational month, until the temporary manager's term is completed, the following documentation:
 - a) Summary of monthly operations including revenues and expenses with a detailed list of actual expenses incurred for temporary manager's fees, repairs, chlorine, billing, operator costs, electricity, laboratory fees, sampling costs, etc.;
 - b) Copies of invoices or receipts to support the actual cost of service;
 - c) The actual number of customers at the beginning and end of the month; and
 - d) A signed statement that copies of the monthly reports have been provided to the TCEQ.