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Filing Date - 2023-07-06 02:18:30 PM

Control Number - 50197

Item Number - 153

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Commissioner
Lori Cobos
Commissioner
Jimmy Glotfelty
Commissioner



Greg Abbott
Governor
Thomas J. Gleeson
Executive Director

Public Utility Commission of Texas

TO: Interim Chair Kathleen Jackson
Commissioner Will McAdams
Commissioner Lori Cobos
Commissioner Jimmy Glotfelty

All Parties of Record

FROM: Office of Policy and Docket Management

RE: **PUC Docket No. 50197**
SOAH Docket No. 473-21-2237 – *Application of Timbercrest Partners LLC for Authority to Change Rates*

DATE: July 6, 2023

The Commission will consider a proposed order in this docket at a future open meeting. The parties shall file corrections or exceptions to the proposed order on or before 3:00 p.m. on Tuesday, July 18, 2023.

On May 4, 2021, the Commission referred this proceeding to the State Office of Administrative Hearings. Subsequently, the docket was returned to the Commission.

If a party proposes a correction or exception, the party must fully explain the correction or exception and must provide a citation to the record to support the correction or exception.

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

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**PUC DOCKET NO. 50197
SOAH DOCKET NO. 473-21-2237.WS**

APPLICATION OF TIMBERCREST	§	PUBLIC UTILITY COMMISSION
PARTNERS LLC FOR AUTHORITY TO	§	
CHANGE RATES	§	OF TEXAS

PROPOSED ORDER

This Order addresses the application of Timbercrest Partners LLC for authority to change its water and sewer rates and tariffs. Timbercrest and Commission Staff filed an agreement between themselves on the terms of the rate and tariff changes, and on June 22, 2023, Timbercrest and Commission Staff filed a second amended agreement, which stated that the Office of Public Utility Counsel did not oppose the agreement. The Commission approves the agreed water and sewer rates and associated tariffs attached as exhibits A and B to the second amended agreement to the extent provided in this Order.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. Timbercrest is a Delaware limited liability company registered with the Texas secretary of state under filing number 800696741.
2. Timbercrest owns and operates facilities in Harris County for the transmission, storage, distribution, sale, or provision of potable water to the public and for the collection, transportation, treatment, or disposal of sewage.
3. Timbercrest provides water and sewer services for compensation under water certificate of convenience and necessity (CCN) number 11744 and sewer CCN number 20583.
4. Timbercrest provides water and sewer services to five connections, which consist of a residential mobile-home community, a 245-unit apartment complex, two convenience stores, and an automotive service establishment.
5. Timbercrest owns the residential mobile-home community. The several hundred units in the mobile-home park are not individually metered but share a master meter.

Application

6. On January 17, 2020, Timbercrest filed an application to change rates for water and sewer services.
7. The application is based on a historical test year ending December 31, 2018, adjusted for known and measurable changes.
8. In the application, Timbercrest requested that the Commission approve a revenue requirement of \$181,237 for water, and \$206,248 for sewer, as well as a rate of return of 7.92%.
9. The monthly minimum water rates proposed by Timbercrest in its application compared to its existing monthly minimum water rates are as follows:

Monthly Minimum Rates (Water)				
Meter size (in.)	Application Residential	Existing Residential	Application Commercial	Existing Commercial
5/8	\$31.91	\$18.75	\$41.27	\$18.75
1	\$79.77	\$26.25	\$103.16	\$26.25
1 1/2	\$159.54	\$63.75	\$206.33	\$63.75
2	\$255.26	\$83.75	\$330.13	\$83.75
3	\$478.61	N/A	\$618.99	N/A
4	\$797.68	N/A	\$1,031.64	N/A
6	N/A	N/A	\$2,063.29	N/A
8	N/A	N/A	\$3,301.26	N/A
10	N/A	N/A	\$4,745.57	N/A
12	N/A	N/A	\$8,872.14	N/A

10. The volumetric water rates proposed by Timbercrest in its application compared to its existing volumetric water rates are as follows:

Volumetric Rates (Water)				
	Application Residential	Existing Residential	Application Commercial	Existing Commercial
Rate per 1,000 gallons	\$0.00	\$1.25	\$0.05	\$1.25

11. In the application, Timbercrest proposed the following water-rate fees:

Proposed Fees (Water)	
Fee	Amount
Regulatory assessment	1.0%
Tap fee	\$300.00
Tap fee (unique costs or large meter)	Actual cost
Meter relocation fee	Actual relocation cost, not to exceed tap fee
Meter test fee	Actual cost up to \$25.00
Reconnection fee for nonpayment of bill or if customer requests disconnection of service	\$25.00
Transfer fee	\$0.00
Late charge	\$5.00
Returned check charge	\$10.00
Customer deposit (residential)	\$0.00
Customer deposit (commercial & non-residential)	1/6 estimated annual bill
Governmental testing, inspection, and costs surcharge	\$0.00

12. The monthly minimum sewer rates proposed by Timbercrest in its application compared to its existing monthly minimum sewer rates are as follows:

Monthly Minimum Rates (Sewer)				
Meter size (in.)	Application Residential	Existing Residential	Application Commercial	Existing Commercial
5/8	\$31.91	\$15.00	\$41.27	\$15.00
1	\$79.77	\$26.25	\$103.16	\$26.25
1 1/2	\$159.54	\$63.75	\$206.33	\$63.75
2	\$255.26	\$83.75	\$330.13	\$83.75
3	\$478.61	N/A	\$618.99	N/A
4	\$797.68	N/A	\$1,031.64	N/A
6	N/A	N/A	\$2,063.29	N/A
8	N/A	N/A	\$3,301.26	N/A
10	N/A	N/A	\$4,745.57	N/A
12	N/A	N/A	\$8,872.14	N/A

13. The volumetric sewer rates proposed by Timbercrest in its application compared to its existing volumetric sewer rates are as follows:

Volumetric Rates (Sewer)				
	Application Residential	Existing Residential	Application Commercial	Existing Commercial
Rate per 1,000 gallons	\$0.00	\$1.65	\$0.94	\$2.50

14. In the application, Timbercrest proposed the following sewer rate fees:

Proposed Fees (Sewer)	
Fee	Amount
Regulatory assessment	1.0%
Tap fee	\$200.00
Tap fee (large connection tap)	Actual cost
Reconnection fee for nonpayment of bill or if customer requests disconnection of service	\$25.00
Transfer fee	\$0.00
Late charge	\$5.00
Returned check charge	\$10.00
Customer deposit (residential)	\$50.00
Customer deposit (commercial & non-residential)	1/6 estimated annual bill
Governmental testing, inspection, and costs surcharge	\$0.00

15. Timbercrest requested approval of a pass-through fee for the North Harris County Regional Water Authority. Timbercrest proposed it to be calculated as the current North Harris County Regional Water Authority pumpage fee divided by 1 minus the water-loss factor of 15%.
16. Timbercrest included as part of the application an original cost study performed by Water Engineers, Inc. because of a lack of original-cost documentation.
17. Timbercrest requested recovery of all reasonable and necessary rate-case expenses.
18. On April 16, 2020, Timbercrest filed responses to Commission Staff's recommendations and requests for additional information regarding the application's sufficiency.

19. In Order No. 5 filed on June 29, 2020, the Commission administrative law judge (ALJ) found Timbercrest's application administratively complete.

Notice

20. On November 3, 2020, Timbercrest sent notice of the application by first-class mail to each customer or other affected party by first-class mail.
21. On November 10, 2020, Timbercrest filed the affidavit of Tammy R. Shea attesting to the provision of notice of the application by bill insert.
22. In Order No. 9 filed on December 4, 2020, the Commission ALJ found notice sufficient.
23. On June 18, 2021, Timbercrest sent notice of the prehearing conference that would be held on July 9, 2021 by first-class mail or email to each customer of Timbercrest and each affected county.
24. On July 7, 2021, Timbercrest filed the declaration of Ms. Shea attesting to the provision of notice of the prehearing conference on June 18, 2021.
25. There are no affected municipalities in this proceeding.
26. Notice of the application was sent to the Office of Public Utility Counsel (OPUC) by email on April 10, 2023.
27. On April 12, 2023, Timbercrest filed the affidavit of Ms. Shea attesting to the provision of notice of the application to OPUC and to the fact that there are no affected municipalities in this proceeding.
28. On April 12, 2023, Timbercrest filed a motion for leave or a good-cause exception to provide late notice of the application to OPUC because Timbercrest had been under the impression that notice had been provided to OPUC at the time the application was filed.
29. In Order No. 11 filed on June 23, 2023, the Commission ALJ granted a good-cause exception to Timbercrest for having provided late notice of the application to OPUC.
30. In Order No. 11 filed on June 23, 2023, the Commission ALJ found notice of the application to be sufficient.

Referral to the State Office of Administrative Hearings

31. On May 4, 2021, the Commission referred the proceeding to the State Office of Administrative Hearings (SOAH).
32. On June 14, 2021, the Commission filed a preliminary order.
33. In SOAH Order No. 3 filed on July 12, 2021, the SOAH ALJ abated the proceeding and referred it to mediation.
34. In a prehearing conference on August 2, 2022, the SOAH ALJ lifted the abatement at Timbercrest's request.
35. In SOAH Order No. 6 filed on September 23, 2022, the SOAH ALJ set a hearing on the merits to convene at 9:00 a.m. on November 9, 2022 by videoconference.
36. In SOAH Order No. 8 filed on November 8, 2022, the SOAH ALJ canceled the hearing and abated the proceeding at Timbercrest and Commission Staff's request because Timbercrest and Commission Staff had reached an agreement.
37. On March 13, 2023, Timbercrest and Commission Staff filed an agreement between themselves on all issues in this proceeding.
38. In SOAH Order No. 9 filed on March 14, 2023, the SOAH ALJ dismissed the proceeding from SOAH's docket and remanded it to the Commission.

Proceeding on Remand to the Commission

39. On April 12, 2023, Timbercrest and Commission Staff filed an amended agreement between themselves that listed the components of the agreed revenue requirement.
40. On April 12, 2023, Timbercrest and Commission Staff filed a joint response to Office of Policy and Docket Management (OPDM) memoranda filed on March 31, 2023. Attached to the joint response as attachment A was documentation in support of the agreed revenue requirement.
41. On June 22, 2023, Timbercrest and Commission Staff (the signatories) filed a second amended agreement, which stated that OPUC did not oppose the agreement.

42. In Order No. 11 filed on June 23, 2023, the Commission ALJ granted a motion by OPUC to intervene in this proceeding.

Testimony

43. On September 27, 2022, Timbercrest filed the direct testimonies of Charles Loy and Ms. Shea.
44. On October 14, 2022, Commission Staff filed the direct testimonies of Heidi Graham, Kathryn Eiland, Emily Sears, and Adrian Narvaez.
45. On October 24, 2022, Timbercrest filed the rebuttal testimony of Mr. Loy, and on October 25, 2022, Timbercrest filed the amended rebuttal testimony of Mr. Loy.
46. On March 13, 2023, Timbercrest filed the supplemental rate-case-expense affidavit of Ms. Shea and the testimony of Mr. Loy in support of the parties' agreement.
47. On March 13, 2023, Commission Staff filed the testimony of Ms. Eiland in support of the parties' agreement.

Evidentiary Record

48. In SOAH Order No. 9 filed on March 14, 2023, the SOAH ALJ admitted the following evidence into the record:
- a. The application filed on January 17, 2020;
 - b. Errata number 1 filed on June 17, 2022;
 - c. Timbercrest's response to Order No. 1, filed on January 31, 2020;
 - d. Timbercrest's responses to Order No. 2, filed on April 16, 2020;
 - e. Timbercrest's confidential response to Order No. 2, filed on April 20, 2020;
 - f. Timbercrest's amended response to Order No. 2, filed on August 26, 2020;
 - g. Timbercrest's revised proof of notice, filed on November 10, 2020;
 - h. Timbercrest's response to Commission Staff's requests for information numbers 1 through 11 filed on August 26, 2020; May 12, June 8, and September 27, 2021; June 17, August 15 and 31, September 8, 9, and 19, October 20, and November 3, 2022;
 - i. The direct testimonies of Mr. Loy and Ms. Shea on behalf of Timbercrest, filed on September 27, 2022;

- j. Confidential attachment TRS-3 filed on September 27, 2022;
 - k. Confidential attachment CEL-3 filed on September 27, 2022;
 - l. The direct testimonies of Ms. Graham, Ms. Eiland, Ms. Sears, and Mr. Narvaez on behalf of the Commission, filed on October 14, 2022;
 - m. The rebuttal testimony of Mr. Loy, filed on October 24, 2022;
 - n. The amended rebuttal testimony of Mr. Loy, filed on October 25, 2022;
 - o. The agreement, along with the joint proposed order and proposed tariffs, filed on March 13, 2023;
 - p. Commission Staff's testimony in support of the agreement, filed on March 13, 2023;
 - q. Timbercrest's testimony in support of the agreement, filed on March 13, 2023; and
 - r. The supplemental affidavit on rate-case expenses filed on March 13, 2023.
49. In Order No. 11 filed on June 23, 2023, the Commission ALJ admitted the following evidence into the record:
- a. Timbercrest's proof of notice filed on July 7, 2021;
 - b. Timbercrest's motion for leave or good-cause exception filed on April 12, 2023;
 - c. The joint response to OPDM memoranda, filed on April 12, 2023; and
 - d. The amended unanimous agreement with amended joint proposed order and proposed tariffs, filed on April 12, 2023.
50. In Order No. 12 filed on June 27, 2023, the Commission ALJ admitted into the evidentiary record the second amended agreement filed on June 22, 2023.

Rate Base

- 51. The signatories agreed that Timbercrest's rate base for water is \$804,725 and its rate base for sewer is \$602,784 based on a test year ending December 31, 2018.
- 52. The signatories agreed on Timbercrest applying the depreciation rates proposed in the application.

53. The agreed rate bases for water and sewer and the agreed depreciation rates are just and reasonable.
54. The signatories agreed that the facilities used and useful in providing utility service as of December 31, 2018, as set forth in the engineering study attached as attachment 2 to the signatories' agreement filed on March 13, 2023, constitute Timbercrest's total rate base as of December 31, 2018.
55. Timbercrest's capital investment included in its agreed rate base is used and useful and was prudently incurred.

Revenue Requirement

56. The signatories agreed on revenue requirements for Timbercrest of \$157,425 for water, \$184,811 for sewer, and \$342,236 total.
57. Timbercrest's agreed revenue requirement reflects operations and maintenance expense of \$181,398; depreciation and amortization expense of \$31,596; taxes other than income taxes of \$25,383; federal income taxes of \$15,901; and a return on rate base of \$92,755, less other revenues of \$4,798.
58. Timbercrest's operations and maintenance expenses, depreciation and amortization expenses, taxes other than income taxes, federal income taxes, and return on rate base, as stated above, are reasonable and necessary.

Rate of Return

59. The signatories agreed on a 6.59% overall rate of return based on an 8.5% cost of equity, a 4.67% cost of debt, and a proxy capital structure of 50% equity and 50% debt.
60. Timbercrest's overall rate of return, cost of equity, cost of debt, and proxy capital structure are reasonable.
61. Timbercrest's rates will provide it a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses.

Rates

62. The signatories agreed on the water rates reflected in the tariff attached as exhibit A to the signatories' second amended agreement.
63. The following are the agreed water rates reflected in the tariff attached as exhibit A to the signatories' second amended agreement:

Monthly Minimum Rates (Water)		
Meter size (in.)	Monthly minimum charge	Gallage charge
5/8	\$35.35	\$0.34 per 1,000 gallons
3/4	\$53.03	
1	\$88.38	
1 1/2	\$176.75	
2	\$282.80	
3	\$530.25	
4	\$883.75	
6	\$1,767.50	
8	\$2,828.00	
10	\$4,065.25	
12	\$7,600.25	

64. The following are the agreed water-rate fees reflected in the tariff attached as exhibit A to the signatories' second amended agreement:

Agreed Fees (Water)	
Fee	Amount
Regulatory assessment	1.0%
Tap fee	\$300.00
Tap fee (unique costs or large meter)	Actual cost
Meter relocation fee	Actual relocation cost, not to exceed tap fee
Meter test fee	Actual cost up to \$25.00
Reconnection fee for nonpayment of bill or if customer requests disconnection of service	\$25.00
Transfer fee	\$0.00
Late charge	\$5.00
Returned check charge	\$10.00

Agreed Fees (Water)	
Fee	Amount
Customer deposit (residential)	\$0.00
Customer deposit (commercial & non-residential)	1/6 estimated annual bill
Governmental testing, inspection, and costs surcharge	\$0.00

65. The signatories agreed on the sewer rates reflected in the tariff attached as exhibit B to the signatories' second amended agreement.
66. The following are the agreed sewer rates reflected in the tariff attached as exhibit B to the signatories' second amended agreement:

Agreed Fixed Monthly Rates (Sewer)	
Meter size (in.)	Monthly charge
5/8	\$47.53
3/4	\$71.30
1	\$118.83
1 1/2	\$237.65
2	\$380.24
3	\$712.95
4	\$1,188.25
6	\$2,376.50
8	\$3,802.40
10	\$5,465.95
12	\$10,218.95

67. The following are the agreed sewer-rate fees reflected in the tariff attached as exhibit B to the signatories' second amended agreement:

Agreed Fees (Sewer)	
Fee	Amount
Regulatory assessment	1.0%
Tap fee	\$200.00
Tap fee (large connection tap)	Actual cost
Reconnection fee for nonpayment of bill or if customer requests disconnection of service	\$25.00
Transfer fee	\$0.00

Agreed Fees (Sewer)	
Fee	Amount
Late charge	\$5.00
Returned check charge	\$10.00
Customer deposit (residential)	\$50.00
Customer deposit (commercial & non-residential)	1/6 estimated annual bill
Governmental testing, inspection, and costs surcharge	\$0.00

68. The agreed water and sewer rates are just and reasonable.
69. The signatories agreed, and it is appropriate, that there will be no refunds as a result of the approved rates because Timbercrest never charged the rates proposed in the application.

Rate-Case Expenses

70. The signatories agreed that Timbercrest's rate-case expenses for this proceeding that are recoverable from metered customers total \$50,214.
71. The signatories agreed for \$23,742 in rate-case expenses to be collected from metered water customers through a \$5.54 monthly surcharge per meter equivalent and for \$26,472 in rate-case expenses to be collected from metered sewer customers through a \$6.75 monthly surcharge per meter equivalent.
72. The signatories agreed on Timbercrest recovering the agreed rate-case expenses over a 36-month period or until the full amount of rate-case expenses is collected, whichever occurs first.
73. The agreed rate-case-expense surcharges are reflected in the tariffs attached to the signatories' second amended agreement as exhibits A and B.
74. The agreed amounts of rate-case expenses and rate-case-expense surcharges as well as the agreed recovery period are reasonable and necessary.
75. Timbercrest agreed not to seek to recover rate-case expenses for this proceeding from its non-metered tenants at the residential mobile-home park owned by Timbercrest.
76. Timbercrest agreed not to seek to recover any additional rate-case expenses incurred in connection with this application in a future proceeding.

77. Timbercrest agreed to file an annual update with the Commission, beginning within one year from the date of this Order. The signatories agreed that the annual update would contain the number of customers charged the rate-case-expense surcharge, the amount collected to date, and the remaining balance of rate-case expenses.
78. The agreement's treatment of rate-case expenses and the requirement for annual updates on rate-case expenses are appropriate.

Pass-Through Fees

79. The signatories agreed on Timbercrest recovering fees related to the North Harris County Regional Water Authority through a pass-through rate as identified in exhibit A attached to second amended agreement.
80. The signatories agreed that the non-metered residential tenants at the mobile-home park are not subject to the pass-through fees but that the pass-through fees that would be allocated to those residential tenants are reasonably recoverable through rent revenues.
81. The signatories agreed that the fees allocated to metered customers are reasonably recoverable through the pass-through rate.
82. The signatories agreed that the agreed pass-through rate is subject to an annual true-up as North Harris County Regional Water Authority changes the fees.
83. The signatories agreed that the pass-through rate is \$5.41 per 1,000 gallons until the first annual true-up.
84. The agreement's treatment of pass-through fees related to the North Harris County Regional Water Authority is appropriate.
85. The agreed pass-through rate related to the North Harris County Regional Water Authority is just and reasonable.

Affiliate Expenses

86. Timbercrest omitted all affiliate expenses from this proceeding.
87. Timbercrest maintains a separate set of books for the mobile-home park and maintains those books as a rental community.

88. Timbercrest records direct utility revenues and expenses in separate utility accounts.
89. Timbercrest proposed to assign or functionalize common costs shared between the mobile-home park and the water and sewer utility to the utility using an allocation factor of 28.69%. The proposed allocation factor represents the average of direct expenses and net assets for the water and sewer utility as compared to the total direct expenses and net assets of the mobile-home park.
90. Timbercrest proposed to functionalize property tax costs to the water and sewer utility using net plant or investment.
91. The signatories agreed that the common-cost allocation methodology proposed by Timbercrest properly allocated expenses that are common to Timbercrest's utility and non-utility functions.
92. The agreed cost-allocation methodology properly allocated expenses that are common to both the utility and non-utility functions.
93. Timbercrest agreed to file annual updates, beginning within one year from the date of this Order, to track Timbercrest's affiliates. The signatories agreed that the updates would track executed contracts with affiliates, specifically with regard to transactions within the mobile-home park rental property operation and allocations of costs in lieu of payments. The signatories also agreed that the reports would indicate any changes in the organizational structure of the following: Timbercrest Partners LLC; Haven at Augusta Woods Village, LP; August Woods; and other affiliates of Timbercrest.
94. The signatories agreed that, to the extent any affiliate provides services to Timbercrest for payment, Timbercrest would execute a written agreement with the affiliate for those services and would maintain the information it relies on for determining the arms-length nature of affiliate transactions.
95. Timbercrest agreed that, to the extent common-cost allocations change from year to year, it would update its cost-allocation manual or study accordingly.

96. The agreement's treatment of affiliate expenses, annual reporting related to affiliate transactions, documentation of affiliate transactions, and common-cost allocations is appropriate.

Rate Design

97. The signatories agreed that Timbercrest would use a 12" proxy master meter for purposes of rate design for the residential mobile-home park.
98. The use of a 12" proxy master meter for purposes of rate design for the residential mobile-home park is appropriate.
99. The agreed water-rate design of fixed base rates and a single-tier volumetric rate is just and reasonable.
100. The agreed sewer rate design of fixed base rates with no volumetric rate is just and reasonable.

Tariffs

101. The signatories agreed on the tariffs attached as exhibit A to the signatories' second amended agreement to govern water utility rates, terms, and conditions for Timbercrest's ratepayers.
102. The signatories agreed on the tariff attached as exhibit B to the signatories' second amended agreement to govern sewer utility rates, terms, and conditions for Timbercrest's ratepayers.
103. The rates, terms, and conditions of the tariffs attached as exhibits A and B to the signatories' second amended agreement are just and reasonable.

Suspension of Rates

104. In Order No. 10 filed on March 18, 2021, the Commission ALJ suspended Timbercrest's proposed rates until the earlier of the date established under 16 Texas Administrative Code (TAC) § 24.33(a)(2) or the issuance of an order setting interim or final rates.
105. On September 22, 2022, Timbercrest filed a motion for its requested rates to be deemed approved under 16 TAC § 24.33.

106. In SOAH Order No. 7 filed on October 6, 2022, the SOAH ALJ denied Timbercrest's motion to deem its requested rates approved.

Informal Disposition

- 107. More than 15 days have passed since the completion of notice provided in this docket.
- 108. Timbercrest, Commission Staff, and OPUC are the only parties to this proceeding.
- 109. Timbercrest and Commission Staff signed, and OPUC is unopposed to, the second amended agreement.
- 110. No hearing is necessary.
- 111. The decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law.

- 1. Timbercrest is a water and sewer utility, public utility, and utility as those terms are defined in Texas Water Code (TWC) § 13.002(23) and 16 TAC § 24.3(51), (75), and (76).¹
- 2. Timbercrest is a retail public utility as defined in TWC § 13.002(19) and 16 TAC § 24.3(59).
- 3. Timbercrest is a class D utility under TWC § 13.002(4-d) because it has less than 500 active water connections.
- 4. The Commission has authority to consider Timbercrest's application for rate increases and related tariff changes under TWC §§ 13.041, 13.181, and 13.1872.
- 5. The Commission processed this docket in accordance with the requirements of the TWC, the Administrative Procedure Act,² and Commission rules.
- 6. SOAH exercised authority over this proceeding under TWC §§ 5.311 and 13.1871(m) and Texas Government Code § 2003.049.

¹ All citations are to the law in effect on January 17, 2020, the date the application was filed.

² Tex. Gov't Code §§ 2001.001-.903.

7. Timbercrest provided notice of the application in accordance with the requirements in TWC § 13.1871(b) and 16 TAC § 24.27(d), except to the extent a good-cause exception was granted for late notice of the application to OPUC.
8. The rates approved in this proceeding are just and reasonable under TWC § 13.182(a).
9. As required by TWC § 13.182(b), the rates approved in this proceeding are not unreasonably preferential, prejudicial, or discriminatory and are sufficient, equitable, and consistent in application to each class of customers.
10. As required by TWC § 13.183(a) and 16 TAC § 24.41(c)(1), the rates approved by this Order will permit Timbercrest a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses and will preserve Timbercrest's financial integrity.
11. An overall rate of return of 6.59% will not yield Timbercrest more than a fair return on its invested capital used and useful in rendering service to the public in accordance with TWC § 13.184(a).
12. As required by TWC § 13.185(h), the rates approved by this Order do not include legislative advocacy expenses, the costs of processing a refund or credit, or any expenditure that is unreasonable, unnecessary, or not in the public interest.
13. In accordance with TWC § 13.185 and 16 TAC § 24.41(c)(2)(B), the rates approved by this Order are based on original cost, less depreciation, of property used and useful in Timbercrest's provision of service.
14. The rates approved by this Order comply with 16 TAC § 24.43(b)(1) regarding conservation.
15. The amount of rate-case expenses approved in this Order is reasonable and necessary as required under 16 TAC § 24.44(a).
16. The requirements for informal disposition under 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 the agreed water and sewer rates to the extent provided in this Order.
2. The Commission approves the water and sewer tariffs attached as exhibits A and B to the parties' second amended agreement, effective the first day of the month following the date of this Order.
3. Timbercrest must file annual true-ups for the North Harris County Regional Water Authority pass-through rate in a separate docket.
4. Timbercrest must file annual updates, beginning within one year from the date of this Order, to track Timbercrest's affiliates. The updates must track executed contracts with affiliates, specifically with regard to transactions within the mobile-home park rental property operation and allocations of costs in lieu of payments. The reports must also indicate any changes in the organizational structure of the following: Timbercrest Partners LLC; Haven at Augusta Woods Village, LP; August Woods; and other affiliates of Timbercrest.
5. To the extent any affiliate provides services to Timbercrest for payment, Timbercrest must execute a written agreement with the affiliate for those services and must maintain the information it relies on for determining the arms-length nature of affiliate transactions.
6. To the extent common-cost allocations change from year to year, Timbercrest must update its cost-allocation manual or study accordingly.
7. The Commission authorizes Timbercrest to collect rate-case expenses of \$23,742 from metered water customers over a period of 36 consecutive months through a surcharge of \$5.54 per meter equivalent per month. Timbercrest may not recover more than \$23,742 through the surcharge.

8. The Commission authorizes Timbercrest to collect rate-case expenses of \$26,472 from metered sewer customers through a \$6.75 monthly surcharge meter equivalent. Timbercrest may not recover more than \$26,472 through the surcharge.
9. Timbercrest must file annual updates with the Commission, beginning within one year from the date of this Order through when the full amount of rate-case expenses is recovered, containing the number of customers charged the rate-case-expense surcharge, the amount collected to date, and the remaining balance of rate-case expenses.
10. Timbercrest must not seek to recover rate-case expenses for this proceeding from its non-metered tenants at the residential mobile-home park owned by Timbercrest.
11. Timbercrest must not seek to recover any additional rate-case expenses incurred in this proceeding in a future proceeding.
12. Timbercrest must implement the surcharges for rate-case expenses described in this Order and file the annual reports and updates described in this Order, except as otherwise specified, in Docket No. 55204 (*Compliance Filing for Docket No. 50197 (Application of Timbercrest Partners LLC for Authority to Change Rates)*).
13. Within ten days of the date of this Order, Commission Staff must file clean copies of Timbercrest's tariffs, modified to comply with this Order, to be stamped *Approved* and retained by Central Records.
14. The Commission denies all other motions and any other requests for general or specific relief that have not been expressly granted.

Signed at Austin, Texas the _____ day of _____ 2023.

PUBLIC UTILITY COMMISSION OF TEXAS

KATHLEEN JACKSON, INTERIM CHAIR

WILL MCADAMS, COMMISSIONER

LORI COBOS, COMMISSIONER

JIMMY GLOTFELTY, COMMISSIONER