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TARIFF CONTROL NO. 50521

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PUBLIC UTILITY COMMISSION
OF TEXAS

APPLICATION OF MUNSON POINT §
PROPERTY FOR A PASS-THROUGH §
RATE CHANGE §

PUBLIC UTILITY COMMISSION
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. Staff recommends that the application be denied. In support thereof, Staff would show the following:

I. BACKGROUND

On February 3, 2020, Munson Point Property Owners Association (Munson) filed an application to implement a pass-through rate change pursuant to 16 Texas Administrative Code (TAC) § 24.25 to reflect the increase in charges billed by the City of Denison. Order No. 2, filed March 10, 2020, found the application deficient and directed Munson to cure the deficiencies in the application and to provide corrected notice of the application to customers by April 2, 2020. On March 23, 2020, Munson filed supplemental information. Order No. 3, filed June 15, 2020, required Staff to file a supplemental recommendation on sufficiency of the application and notice and a recommendation on final disposition, if appropriate, by June 26, 2020. This pleading, therefore, is timely filed.

II. RECOMMENDATION

After review and communication with Munson, Staff recommends that the application be denied. Staff asserts that a pass-through application is not the proper forum for Munson to obtain approval of the rates it seeks. Munson’s current tariff does not include a pass-through provision. Munson owns no facilities and does not produce the water it sells to its customers.¹ The water is directly purchased from the City of Denison, and the water lines are leased from a developer. The only internally generated expense that Staff can observe is Munson’s obligation to pay a contractor to meet Texas Commission on Environmental Quality (TCEQ) testing requirements on water that is already tested to TCEQ standards by the City of Denison. As such,

¹ Application at 1 (Feb. 3, 2020).

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Staff is not wholly sure what costs Munson's current rates are designed to recover. However, the fact that Munson has no other water source leads Staff to conclude that the current minimum monthly charges and volumetric rate in Munson's tariff must recover the cost of purchasing water from the City of Denison's rates to some extent, however to what extent is unknown.²

Ultimately, this scenario leads makes it extremely difficult for Staff to recommend a pass-through rate that would not lead to double recovery of purchased water costs because Staff does not know what level of charges from the City of Denison the current rates were designed to recover. Legal Staff has worked with the Commission's Utility Outreach Division in communicating with Munson and believes that the utility and its ratepayers would best be served by the filing of an application for a rate change, which would allow for a full review of all of Munson's cost such that the cost of purchased water could be accurately separated out of Munson's revenue requirement and recovered through a dedicated pass-through rate. Therefore, Staff recommends that the present application be denied.

III. CONCLUSION

Staff respectfully requests the issuance of an order consistent with the foregoing recommendation.

Dated: June 26, 2020

² Supplemental Information at 2-4 (Mar. 23, 2020).

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on June 26, 2020, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Creighton R. McMurray

Creighton R. McMurray