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APPLICATION OF SWWC UTILITIES,	§	PUBLIC UTILITY COMMISSION
INC. DBA HORNSBY BEND UTILITY	§	FILED
COMPANY FOR A PASS THROUGH	§	CLERK
RATE CHANGE	§	OF TEXAS

**SWWC UTILITIES, INC., D.B.A. HORNSBY BEND UTILITY COMPANY, INC.'S
RESPONSE TO NOTICE FINDING APPLICATION INSUFFICIENT**

SWWC Utilities, Inc. d/b/a Hornsby Bend Utility Company, Inc. (Hornsby Bend), files this Response to the Public Utility Commission of Texas' (Commission) Notice Finding Application Insufficient,¹ issued November 5, 2020. In support, Hornsby Bend shows as follows:

I. PROCEDURAL BACKGROUND

On September 23, 2020, Hornsby Bend filed its application to amend its tariff pursuant to 16 Texas Administrative Code (TAC) § 24.25. On October 23, 2020, Staff for the Commission (Commission Staff) filed a recommendation on the application and notice, including a memorandum by Spencer English.² On October 28, 2020, the Administrative Law Judge (ALJ) issued Order No. 2,³ requesting clarification regarding whether Commission Staff was recommending that the ALJ adopt the recommendation outlined in the memorandum of Mr. English. On November 3, 2020, Commission Staff filed a clarification, noting that their recommendation was, in accordance with Mr. English's memorandum, that Hornsby Bend file the listed supplemental information in order to justify its proposed rate prior to implementation.⁴ On November 5, 2020, the ALJ issued the Notice Finding Application Insufficient, requiring that Hornsby Bend cure the deficiencies described in Mr. English's memorandum by November 23, 2020. This response is therefore timely filed.

¹ Notice Finding Application Insufficient (Nov. 5, 2020).
² Commission Staff's Recommendation on the Application and Notice (Oct. 23, 2020).
³ Order No. 2 Requiring Clarification from Commission Staff (Oct. 28, 2020).
⁴ Commission Staff's Clarification Regarding Recommendation on Application and Notice at 2 (Nov. 3, 2020).

II. SUPPLEMENT TO THE APPLICATION

Mr. English's main concern revolves around a "BASELINE COST from 2013" that he feels was not adequately explained in the application.⁵ Mr. English states that a reconciliation shows whether the applicant over- or under-collects revenues related to the pass-through provision only if it addresses all the expenses and the revenues related to the same provision. He therefore recommends that Hornsby Bend provide the following to the Commission: a) a true-up report that reconciles both total expenses paid and total revenues collected related to the pass-through charge for the true-up period since the last pass-through rate change; b) a detailed explanation including the source and calculation of the \$62,511.02 baseline from 2013; c) an explanation and calculations for each number in the column on the reconciliation labeled "OVER BASELINE"; and 4) a new drafted notice setting the effective rate after the approval of the pass-through application.⁶

A. True-up Report Reconciling Both Total Expenses Paid and Total Revenues for the Pass-Through Charge for the True-Up Period Since the Last Pass-Through Rate Change

Hornsby Bend provides the following explanation of the materials from the application and true-up documents to help clarify the requested information reconciling both total expenses paid and total revenues for the pass-through charge over the applicable period:

1. The total cost for the period of July 2018 through June 2020 was \$799,688.05. This is found on the worksheet titled "CALCULATIONS FOR 2020 PURCHASED WATER PASS THROUGH—HORNSBY BEND WATER COMPANY TRUE-UP REPORT: RECONCILIATION OF EXPENSE AND REVENUE FROM PASS-THROUGH CHARGES."⁷ This is the sum of the twelve months share of Epcor costs for Hornsby Bend.

⁵ See Commission Staff's Recommendation on the Application and Notice, Memorandum of Spencer English (Oct. 23, 2020).

⁶ *Id.*

⁷ Application at 8 (Attachment D—Calculations for 2020 Purchased Water Pass Through—Hornsby Bend

2. Total collections for the same period were $\$750,132.20 + \$47,981.63 = \$798,113.83$. This is also found on the Reconciliation page.⁸
 - a. $\$750,132.20$ is the total dollar amount of the Epcor (then Blue Water) portion of the purchased water that is already included in the gallonage rate or included in revenues from the last base rate case; and
 - b. $\$47,981.63$ is the total of actual revenues collected from customers through the pass-through portion of the bill during the same period.
3. The difference of $\$1,554.22$ ($\$799,668.05 - \$798,113.83$) represents the amount that was slightly under-collected over the twelve-month period.

B. Hornsby Bend's Detailed Explanation of the Baseline Cost from 2013.

The detailed explanation of the baseline cost was originally supplied in Hornsby Bend's response to Commission Staff's questions in Hornsby Bend's previous application for approval of a pass-through rate change.⁹

The last base rate case for Hornsby Bend used a test year ending December 30, 2012 (Docket No. 42839). The projected total cost of purchased water was $\$1,075,154$, which included costs for water purchased from Municipal Groundwater Solutions (MGS) and BlueWater Project 130, L.P., which is now Epcor 130 Project, L.P. (Epcor).¹⁰ This information was contained in Attachment Q4 to Hornsby Bend's application in that proceeding, a copy of which is included below as Attachment A to this response. Hornsby Bend has since explained the MGS rates were not projected to change and the projected Epcor costs were based on the anticipated rates that

Water Company Reconciliation of Expense and Revenue from Pass-Through Charges—All Periods).

⁸ *Id.*

⁹ *Application of SWWC Utilities, Inc. dba Hornsby Bend Utility Company, Inc. for Approval of a Pass-Through Rate Change*, Tariff Control No. 48579 (Dec. 12, 2018).

¹⁰ *Application of SWWC Utilities, Inc. dba Hornsby Bend Utility Company, Inc. for a Water and Sewer Rate/Tariff Change*, TCEQ Docket No. 2014-0539-UCR, Attachment Q4 (Sept. 3, 2013).

would be in effect when the rate case was approved.¹¹ The corresponding breakdown of these costs is as follows:¹²

- MGS for 2012 = \$325,021.80
- Rate Case Purchased Water costs = \$1,075,154.00 (includes MGS and Epcor)
- Annual Epcor for rate case = \$750,132.20
- Monthly = \$62,511.02 (use as baseline)

Based on this explanation, Commission Staff adjusted the pass-through charge and the Commission approved the pass-through rate in one of Hornsby Bend's previous applications.¹³ Subsequently, in Tariff Control No. 49840, the Commission approved the 2019 pass-through rate based on the same methodology, which was based on the difference between the baseline and actual charges.¹⁴

C. Hornsby Bend's explanations and calculations regarding the amounts labeled "OVER BASELINE"

There are five individual amounts in the column "OVER BASELINE," which represent the total excess pass-through costs Hornsby Bend paid during the respective time period of each of its past five approved pass-through rates.¹⁵ These amounts were derived by aggregating the difference between Hornsby Bend's actual purchased water costs and the projected baseline cost for each month during the respective pass-through period. For example, in August of 2015, the

¹¹ Control No. 48579, Hornsby Bend Utility Company's Response to Staff Deficiency Memo (Sept. 27, 2018)

¹² *Id.*

¹³ See Control No. 48579, Commission Staff's Recommendation (Oct. 19, 2018); see also Control No. 48579, Notice of Approval (Dec. 12, 2018).

¹⁴ *Application of SWWC Utilities, Inc. for a Pass Through Rate Change*, Docket No. 49840, Notice of Approval, Finding of Fact No. 7 (Dec. 19, 2019).

¹⁵ Application at 8 (Attachment D—Calculations for 2020 Purchased Water Pass Through—Hornsby Bend Water Company Reconciliation of Expense and Revenue from Pass-Through Charges—All Periods).

actual purchased water cost to Hornsby Bend was \$65,146.24, and the monthly baseline cost was \$62,511.02. The monthly amount over baseline was therefore \$2,635.22. When doing this same exercise for each month during the first pass-through period (August 2015–July 2016) and then adding them all together, the collective total is \$31,622.68. This total is the first of the five amounts provided for in the reconciliation under the column “OVER BASELINE,” and represents the described total over the projected baseline cost amount for Hornsby Bend’s first effective pass-through period. The other amounts were arrived at by performing the same exercise for each of the following four pass-through periods: August 2016–September 2017 (\$66,576.60); October 2017–September 2018 (\$64,176.97); October 2018–September 2019 (\$55,299.05); October 2019–July 2020 (\$43,339.14). The source information for each of these calculations is contained in the table in the reconciliation directly above where the “OVER BASELINE” amounts are provided.¹⁶ These amounts represent the total increase in cost that was incurred during the respective time periods and should have been collected through the applicable pass-through charge.

D. Hornsby Bend Will Provide a Revised Notice Once the Pass-Through Rate is Approved

Hornsby Bend typically includes the pass-through notice with the customer bill issued prior to the effective date. The notice must show the old and new rates per the requirements of 16 TAC § 24.25(b)(2)(F). Hornsby Bend acknowledges that it will need to revise its notice from the application and provide customers with the updated version, however, Hornsby Bend would prefer to wait until the pass-through rate has actually been approved before submitting the updated notice. The revised notice will look much the same as the version from the Application, only it will be updated with the appropriate dates and amounts once those have been finalized.

¹⁶ *Id.*

III. CONCLUSION AND PRAYER

Hornsby Bend respectfully requests that the ALJs review this supplemental information and, based on the same, find Hornsby Bend's application to be sufficient and grant Hornsby Bend all further relief to which it may be justly entitled at law or in equity.

Respectfully submitted,
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**ATTORNEYS FOR SWWC UTILITIES,
INC. D.B.A. HORNSBY BEND UTILITY
COMPANY, INC.**

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 November 23, 2020, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ William A. Faulk, III

WILLIAM A. FAULK, III

ATTACHMENT A

SWWC Utilities, Inc.

d/b/a Water Services, Inc.
d/b/a Hornsby Bend Utility Company

Application for a
Water & Sewer
Rate / Tariff Change

For the Test Year ended 12/31/2012



September 3, 2013

Application for a Rate/Tariff Change - Hornsby Bend Utility Company Water

Section VI - Utility Income and Expense Information

A. Revenue Requirement

Please provide the following information regarding the cost to the utility of providing water utility service over your selected twelve-month "test-year".

Table VI. A.

Test Year 12/30/2012	Line	12 Month	K&M	Revenue		Fixed	Variable
Item		"Test Year" per books	Changes	Requirement for Next Yr		Expenses	Expenses
		a	b	c		d	e
Salaries and Wages	[A]	\$ 73,787	\$ 8,594	\$ 82,381	50	\$ 41,191	\$ 41,191
Contract Labor	[B]	\$ 9,670	\$ -	\$ 9,670	90	\$ 8,703	\$ 967
Purchased Water	[C]	\$ 1,059,634	\$ 15,520	\$ 1,075,154	0	\$ -	\$ 1,075,154
Chemicals and Treatment	[D]	\$ 3,184	\$ -	\$ 3,184	0	\$ -	\$ 3,184
Utilities	[E]	\$ 30,854	\$ -	\$ 30,854	0	\$ -	\$ 30,854
Repairs/Maintenance/Supplies	[F]	\$ 35,186	\$ -	\$ 35,186	50	\$ 17,593	\$ 17,593
Office Expenses	[G]	\$ 8	\$ -	\$ 8	50	\$ 4	\$ 4
Accounting and Legal Fees	[H]	\$ 70,974	\$ (70,374)	\$ 600	100	\$ 600	\$ -
Insurance	[I]	\$ 642	\$ -	\$ 642	100	\$ 642	\$ -
Rate Case Expense	[J]	\$ -	\$ 31,629	\$ 31,629	100	\$ 31,629	\$ -
Miscellaneous	[K]	\$ 599,121	\$ (189,927)	\$ 409,193	50	\$ 204,597	\$ 204,597
Subtotal - [A] thru [K]	[L]	\$ 1,883,059	\$ (204,558)	\$ 1,678,501		\$ 304,958	\$ 1,373,542
Payroll Taxes	[M]	\$ -	\$ 5,572	\$ 5,572	50	\$ 2,786.10	\$ 2,786
Property and Other Taxes	[N]	\$ 60,728	\$ 31,917	\$ 92,644	100	\$ 92,644	\$ -
Annual Dep & Amort from Table III	[O]	\$ 453,375	\$ 181,256	\$ 634,631	100	\$ 634,631	\$ -
Income Taxes from Table V	[P]		\$ 1,113,916	\$ 1,113,916	100	\$ 1,113,916	\$ -
Return from Table IV.E	[Q]		\$ 2,068,701	\$ 2,068,701	100	\$ 2,068,701	\$ -
Subtotal - [L] thru [Q]	[R]	\$ 2,397,162	\$ 3,196,803	\$ 5,593,965		\$ 4,217,636	\$ 1,376,328
Other Revenues	[S]	\$ 78,713	\$ -	\$ 78,713	100	\$ 78,713	\$ -
Revenue Held In Abeyance	[T]			\$ 3,493,275			
Total Cost = [R] - [S] - [T]	[U]	\$ 2,318,449	\$ (296,472)	\$ 2,021,977		\$ 1,517,393	\$ 504,583

See Appendix 10 for Calculation of Revenue Requirement
and
Known and Measurable Changes