



Control Number: 51490



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**APPLICATION OF RJR WATER
COMPANY, INC. FOR AUTHORITY TO
CHANGE RATES**

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**PUBLIC UTILITY COMMISSION
PUBLIC UTILITY COMMISSION
FILING CLERK
OF TEXAS**

**COMMISSION STAFF'S RECOMMENDATION ON ADMINISTRATIVE
COMPLETENESS AND NOTICE**

On December 31, 2020, RJR Water Company, Inc. (RJR Water) filed an application for a Class C rate change under Texas Water Code §§ 13.1871 and 13.1872(c)(2). RJR Water holds water certificate of convenience and necessity number 12139. On January 4, 2021, the Public Utility Commission of Texas (Commission) administrative law judge (ALJ) filed Order No. 1, requiring Commission Staff to file comments on the administrative completeness of the application and a recommendation on notice by February 1, 2021. This pleading, therefore, is timely filed.

I. ADMINISTRATIVE COMPLETENESS AND PROPOSED NOTICE

After review, and as detailed in the attached memoranda of Jorge Ordonez of the Rate Regulation Division, Spencer English of the Rate Regulation Division, and Roshan Pokhrel of the Infrastructure Division, Staff recommends that the application be deemed administratively incomplete. In addition to the deficiencies detailed in those memoranda, Staff also notes that RJR Water has thus far failed to respond to the request for applicant information listed in Order No. 1. Accordingly, Staff recommends that RJR Water be ordered to correct the deficiencies listed in the memoranda of Mr. Ordonez, Mr. English, and Mr. Pokhrel and to provide the information requested by Order No. 1 by March 1, 2021. Staff also requests that it be given until April 1, 2021 to file a supplemental recommendation on administrative completeness.

Staff further notes that proof of notice was not provided with the application. Notice in an application to change rates is governed by 16 Texas Administrative Code (TAC) § 24.27(d). In addition, 16 TAC § 24.33(b)(1) allows for the suspension of the effective date in the notice to customers until an application is deemed sufficient and 16 TAC § 24.33(c) prohibits a utility from notifying customers of a new effective date until the application is administratively

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complete.¹ Consequently, if RJR Water were to send notice now, it would also be required to send a second notice with a new effective date once the application is deemed sufficient. To avoid the confusion that multiple notices may cause customers, Staff recommends that RJR Water provide a proposed notice on March 1, 2021 along with its filing to cure the deficiencies in the application. This will allow Staff to work with RJR on the notice at the same time they are working with them on what is needed to support a recommendation that the application is sufficient.

II. CONCLUSION

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

Dated: February 1, 2021

¹ *Application of Forest Glen Utility Company for Authority to Change Rates*, Docket No. 47897, Memo from Chairman Walker (May 24, 2018).

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Rachelle Nicolette Robles
Division Director

Eleanor D'Ambrosio
Managing Attorney

/s/ Creighton R. McMurray
Creighton R. McMurray
State Bar No. 24109536
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7275
(512) 936-7268 (facsimile)
creighton.mcmurray@puc.texas.gov

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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 on February 1, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Creighton R. McMurray
Creighton R. McMurray

Public Utility Commission of Texas

Memorandum

To: Creighton McMurray, Attorney
Legal Division

From: Roshan Pokhrel, Engineering Specialist
Infrastructure Division

Date: February 1, 2021

Subject: **Docket No. 51490:** *Application of RJR Water Company, Inc. for Authority to Change Rates*

On December 31, 2020, RJR Water Company, Inc. (RJR Water) filed an application for a rate change under water certificate of convenience and necessity No. 12139 for a service area in Parker and Palo Pinto Counties.

I reviewed for administrative completeness the portions of the application that address depreciation expense, and operation and maintenance expenses. I identified the following deficiencies in the application:

- Schedule II-2 is incomplete because RJR Water did not include an amount for Reserve for Depreciation (Accumulated).
- Schedule III-3 Utility Plant – Original Cost and Depreciation is incomplete because RJR Water did not fill out Column F, Annual Depreciation; Column G, Accumulated Depreciation Reserve; or Column H, Net Book Value.

Public Utility Commission of Texas

Memorandum

TO: Creighton McMurray, Attorney
Legal Division

FROM: Spencer English, Financial Analyst
Rate Regulation Division

FROM: February 1, 2021

RE: Docket No. 51490: *Application of RJR Water Company, Inc. for Authority to Change Rates*

On December 31, 2020, RJR Water Company, Inc. (RJR Water) filed a Class C Rate Change Application for service provided under certificate of convenience and necessity No. 12139. I have conducted an administrative review of the application and notice according to Texas Water Code § 13.1871 and 16 Texas Administrative Code §§ 24.25 through 24.33.

Based on a review of the initial application, I recommend that the application is insufficient as filed. To be sufficient and administratively complete, I recommend that RJR Water provide the following:

- Provide a corrected Balance Sheet. Total Assets should equal Total Liabilities & Equity.
- Provide a corrected Schedule III-1 Requested Return. Line 4, Column A should reflect actual amounts of Long-Term Debt. Line 5, Column A should reflect actual amounts of Equity. Lines 4 and 5, Column B should add to 100%. Lines 4 and 5, Column C should reflect claimed percentages for capital structure, as per the instructions. Lines 4 and 5, Column D should reflect claimed rates of return. Lines 4 and 5, Column F should add to the Overall Rate of Return, as reflected on Line 7, Column F and Line 3.
- Provide a corrected Schedule V Federal Income Tax. Synchronized interest must not exceed the requested return amount and must not result in a negative Federal Income Tax expense.

Public Utility Commission of Texas

Memorandum

TO: Creighton McMurray, Legal Division

FROM: Jorge Ordonez, Tariff & Rate Analysis, Rate Regulation Division

DATE: February 1, 2021

RE: Docket No. 51490 – *Application of RJR Water Company, Inc. for Authority to Change Rates*

On December 31, 2020, RJR Water Company, Inc. (RJR Water) filed an application for authority to change its water rates (Application).¹

Based on my review, I identified the following deficiencies in the Application:

1. The “Revenue for Rate Design” of \$144,756 on line 31 of Schedule I-1 is not consistent with the “Revenue for Rate Design” of \$147,346 (\$105,189 + \$42,157) on line 28 of Schedule VI-1;
2. The proposed “Minimum Monthly Charge” of \$35 for the 5/8” meter on line 1 of Schedule VII-2 and the proposed “Volumetric Charge” of \$9 per 1,000 gallons on line 8 of Schedule VII-2 are inconsistent with both: 1) the “Minimum Monthly Charge” of \$65.42 on line 4 and the “Volumetric Charge” of \$25.29 per 1,000 gallons on line 7 of Schedule VI-3; and 2) the “Flat Rate” of \$31.86 on line 4 of Schedule VI-2;
3. The proposed “Total Revenue Generated” of \$94,682 on line 27 of Schedule VII-2 is not the result of using the proposed rates.² The proposed rates are not supported in either Schedules VI-2 or VI-3 as explained above. However, using such proposed rates together with the number of meters (134) and gallonage usage (3,822,718 gallons) for the test year results in a total revenue generated of \$90,684. This is short of the requested “Revenue for Rate Design” of \$144,756 on line 31 of Schedule I-1 and the “Revenue for Rate Design” of \$147,346 (\$105,189 + \$42,157) on line 28 of Schedule VI-1; and
4. The “Total revenue generated by Volumetric Usage” for both existing rates and proposed rates is shown as “0” on line 26 of Schedule VII-2, even though RJR Water

¹ Application (Dec. 31, 2020).

² The proposed rates are a “Minimum Monthly Charge” of \$35 for the 5/8” meter and a “Volumetric Charge” of \$9 per 1,000 gallons.

references the existing and proposed “Volumetric Charge” of \$5.10 and \$9 per 1,000 gallons, respectively, as shown on line 8 of Schedule VII-2.

5. The cover page of the Application has -\$140,487.00 in the blank for “Amount Increase (Decrease)” and -97.00% “Percentage Increase (Decrease).” These should not be negative numbers if RJR Water is requesting a rate increase.

Based on my review of the information in the Application, I recommend that the application be deemed insufficient for processing and found administratively incomplete due to the deficiencies detailed above.