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Received - 2021-08-05 11:40:26 AM
Control Number - 52341
ItemNumber - 4

DOCKET NO. 52341

APPLICATION OF PATTERSON	§	PUBLIC UTILITY COMMISSION
PROFESSIONAL SERVICES, LLC	§	
FOR TEMPORARY RATES FOR A	§	OF TEXAS
NONFUNCTIONING UTILITY		

COMMISSION STAFF’S RECOMMENDATION ON SUFFICIENCY AND NOTICE

On July 22, 2021, Mark Patterson (Mr. Patterson), temporary manager of Castle Water, Inc. dba Horseshoe Bend Water System (Horseshoe Bend), a request for a temporary rate increase pursuant to Texas Water Code § 13.046 and 16 Texas Administrative Code (TAC) § 24.363 in Hood County, Texas.

On July 23, 2021, the administrative law judge filed Order No. 1, setting a deadline of August 6, 2021 for the Staff of the Public Utility Commission of Texas (Staff) to file comments on the administrative completeness of the application, a recommendation on notice, and to propose a procedural schedule if appropriate. Therefore, this pleading is timely filed.

I. RECOMMENDATION ON SUFFICIENCY OF THE APPLICATION AND NOTICE

Staff has reviewed Mr. Patterson’s application, and as indicated in the attached memorandum of Patricia Garcia of the Commission’s Infrastructure Division, Staff recommends that the application be found sufficient for filing. Staff further recommends that Mr. Patterson be directed to provide the monthly reports requested when Docket No. 49759 was approved using the attached template. This recommendation does not address the merits of the application.

Staff has also reviewed the notice provided by Mr. Patterson and recommends that it be deemed insufficient. The Order in Docket No. 49759 stated the following:

If the temporary rates approved in this Order do not result in a reasonable rate for the services provided to the nonfunctioning utility or to bring the utility into compliance with Commission and TCEQ rules, the temporary

manager may implement revised temporary rates and file notice to the Commission of the revised temporary rates.¹

Mr. Patterson has satisfied this requirement. However, under 16 TAC § 24.363(b), notice of a temporary rate must be sent to customers “no later than the first bill which includes the temporary rates.” Mr. Patterson has not indicated that he has provided notice to the affected customers. Therefore, Staff recommends that notice be deemed insufficient, and that Mr. Patterson be directed to provide customers notice of the revised temporary rates.

II. PROCEDURAL SCHEDULE

In accordance with Staff’s deficiency recommendation on notice, Staff proposes the following procedural schedule:

Event	Deadline
Deadline for Mr. Patterson to file proof of notice to customers	August 20, 2021
Deadline for Staff’s supplemental recommendation on notice	September 3, 2021

III. CONCLUSION

Staff recommends that the application be found sufficient and that the above-proposed procedural schedule be adopted. Staff respectfully requests the entry of an order deeming notice insufficient and directing Mr. Patterson to provide notice to customers and to file the monthly reports requested when Docket No. 49759 was approved using the attached template.

¹ *Application of Mark Patterson for Temporary Rates for Services Provided for a Nonfunctioning Utility*, Docket No. 49759, Order at Ordering Paragraph No. 10 (Feb. 12, 2021).

Dated: August 6, 2021

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Rachelle Nicolette Robles
Division Director

Eleanor D'Ambrosio
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/s/ John Harrison

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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 August 6, 2021, in accordance with the Order Suspending Rules, filed in Project No. 50664.

/s/ John Harrison

John Harrison

Public Utility Commission of Texas

Memorandum

TO: John Harrison, Attorney
Legal Division

FROM: Patricia Garcia, Senior Engineering Specialist
Infrastructure Division

DATE: August 6, 2021

RE: Docket No. 52341 – *Application of Patterson Professional Services, LLC for Temporary Rates for a Nonfunctioning Utility*

Background:

On July 22, 2021, Mark Patterson (Mr. Patterson), temporary manager of Castle Water, Inc. dba Horseshoe Bend Water System (Horseshoe Bend) water Certificate of Convenience and Necessity (CCN) No. 10263, Public Water System No. 1840002, filed with the Public Utility Commission of Texas (Commission) a request for a temporary rate increase pursuant to Texas Water Code (TWC) § 13.046 and 16 Texas Administrative Code (TAC) § 24.363, in Hood County, Texas.

Mr. Patterson, owner and operator of 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 expiring on December 30, 2019. TCEQ reappointed Mr. Patterson as the temporary manager on December 30, 2019 expiring on June 27, 2020. The Commission appointed Mr. Patterson as the temporary manager of Horseshoe Bend beginning June 27, 2020 and until the Commission orders otherwise.¹

Mr. Patterson requests approval of a temporary rate increase to provide continuous and adequate service to customers and to assist in ensuring compliance with TCEQ and Commission rules. In Docket No. 49759, Mr. Patterson provided notice to customers² as required in 16 TAC § 24.363, which states “Notice of the temporary rate must be provided to the customers of the nonfunctioning system no later than the first bill which includes the

¹ *Petition for an Order Appointing a Temporary Manager for Castle Water, Inc. dba Horseshoe Bend Water System*, Docket No. 50847, Order (Jun. 22, 2020).

² *Application of Mark Patterson for Temporary Rates for Services Provided for a Nonfunctioning Utility*, Docket No. 49759, Order at Finding of Fact No. 10 (Feb. 12, 2021).

temporary rates.” However, the final temporary rates approved by the Commission in Docket No. 49759 were lower than the noticed rates.³

Upon approval of this request, the total temporary rate will be the same as the temporary rate included in the notice to customers provided in Docket No. 49759. Despite this, Staff recommends that Mr. Patterson re-notice customers since they have been subject to the lower temporary rate approved by the Commission for the past few months.

Commission Staff was given a deadline of August 6, 2021 to comment on the administrative completeness of the application and provide a recommendation on notice.

Recommendation:

Based on Staff’s review of the temporary manager’s request, Staff recommends the following:

- 1) The petition be considered sufficient;
- 2) That Mr. Patterson provide the monthly reports requested when Docket No. 49759 was approved using the attached template; and
- 3) That Mr. Patterson provide notice to customers of the revised temporary rate.

³ *Id.*, Order at Ordering Paragraph Nos. 7-8.

TEMPORARY MANAGER'S REPORT

[Mr./Ms. Temporary Manager Name] is pleased to provide the following report relating to [System Name] for the period ending [Reporting Period End Date]. The temporary management was initiated on [Temporary Management Initiation Date].

- I. Inventory of All Property. The inventory has not changed since the last reporting period.
- II. Business Transactions for this Period.
 - A. Financial Statements have been prepared for the period ending [Reporting Period End Date], and include (1) a Balance Sheet, (2) an Income and Expense Report, and (3) a Check Register.
 - B. For this period, income from the sale of water was received totaling [Total Income Since Last Reporting Period].
 - C. For this period, checks have been disbursed totaling [Total Check Disbursement Since Last Reporting Period] (please see attached check register).
 - D. This resulted in net operating capital remaining of [Net Operating Capital Remaining].
- III. Status of System's Accounts.
 - A. Water bills were rendered on or about [Water Bill Date] for the previous 30 day period to [Number of Water Customers] water customers. The total of current charges come to [Total of Current Charges].
- IV. Significant Events to Bring the System into Compliance.
 - A. Sale of the Utility.
[Updates Concerning Sale of the Utility]
 - B. TCEQ FMT Assistance.
[Updates Concerning TCEQ FMT Assistance]
 - C. System Repairs.
[Updates Concerning System Repairs]
 - D. Bacteriological Tests.
[Updates Concerning Bacteriological Tests]
 - E. Planned Improvements.

[Updates Concerning Planned Improvements]

F. Other Events.

[Updates Concerning Other Events]

V. Connection Count by Meter Size

Line No.	Meter Size	Number of Connections
1.	5/8"	
2.	3/4"	
3.	1"	
4.	1 1/2"	
5.	2"	
6.	3"	
7.		
8.		
9.	Total	

VI. Customer Complaint Record. In the month of [Reporting Period Month], the following calls were received from customers of the [System Name] Water System/Utility:

No:	Complaint
[#]	Calls regarding low water pressure
[#]	Calls regarding no water
[#]	Calls regarding water line leaks
[#]	Calls regarding color of water
[#]	Calls regarding sediment in water
[#]	Calls regarding water odor
[#]	Other

If I may provide additional information relating to [System Name], please do not hesitate to contact me at [Phone Number].

Respectfully submitted,

[Mr./Ms. Temporary Manager Name]
[System Name]

Encl: Financial Statements, period ending [Reporting Period End Date]

Water Accounting

Water volume pumped through master meter(s) from:

[Reporting Period Begin Date] to [Reporting Period End Date]

[#] Gallons

Total water volume billed from:

[Reporting Period Begin Date] to [Reporting Period End Date]

[#] Gallons

Total water loss:

[#] Gallons

Percentage loss:

[#] %

Statement of Cash Flow
for [Utility Name]
Temporary Manager for [System Name]
Month Ending [Reporting Period End Date]

<u>Beginning Cash Balance</u>		<u>\$[#]</u>
<u>Cash Receipts</u>		
Water service billings	\$[#]	
Customer deposits	\$[#]	
Total Cash Receipts	\$[#]	
<u>Cash Disbursements</u>		
Accounting fees	\$[#]	
Receivership fees	\$[#]	
Automobile expenses	\$[#]	
Office supplies	\$[#]	
Postage and delivery	\$[#]	
Utilities	\$[#]	
Repairs and maintenance	\$[#]	
TCEQ regulatory assessment fees	\$[#]	
Bank service fees	\$[#]	
Telephone	\$[#]	
Lab test fees	\$[#]	
Property taxes	\$[#]	
Customer deposit reimbursements	\$[#]	
Other	\$[#]	
Total Cash Disbursements	\$[#]	
<u>Net Receipt</u>		<u>\$[#]</u>
<u>Ending Cash Balance</u>		<u>\$[#]</u>

Current Assets & Liabilities
for [Utility Name]
Temporary Manager for [System Name]
Month Ending [Reporting Period End Date]

Current Assets

Savings/checking	\$[#]
Accounts receivable	\$[#]

Total Current Assets	\$[#]
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Current Liabilities

Accounts payable	\$[#]
Temporary Manager escrow	\$[#]
TCEQ regulatory assessment fees	\$[#]
System improvements	\$[#]

Total Current Liabilities	\$[#]
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