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**SOAH DOCKET NO. 473-22-07686.WS
PUC DOCKET NO. 52370**

APPLICATION OF EAST HOUSTON UTILITIES, INC. FOR AUTHORITY TO CHANGE RATES	§ § § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS
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JOINT MOTION TO ADMIT EVIDENCE AND REMAND

COME NOW East Houston Utilities, Inc. (“EHU”), the Staff (“Staff”) of the Public Utility Commission of Texas (“Commission”), Lauren Hood, Wesley Francis, Barry Evans, and J.D. and Mona Keller (the “Parties”), and file this Joint Motion to Admit Evidence and Remand.

I. BACKGROUND

On July 29, 2021, EHU filed this application to increase water rates and change its tariffs. Prior to the scheduled hearing on the merits in this docket, the Parties began settlement discussions. On February 27, 2024, EHU requested abatement of the procedural schedule and cancellation of the hearing to allow for settlement discussions. The Parties made two subsequent requests for continued abatement of the case. Then, on May 13, 2024, the Parties announced they had reached an agreement in principle resolving all of the issues in this proceeding but requested continued abatement of the case to document their agreement and prepare final approval documents. On May 20, 2024, the Parties filed their Unanimous Stipulation and Settlement Agreement, as well as a Joint Notice of Stipulation and Motion to Dismiss. Now, the remaining Parties are prepared to seek final approval of their Unanimous Stipulation and Settlement Agreement.


II. MOTION TO ADMIT EVIDENCE

The Unanimous Stipulation and Settlement Agreement resolves all issues in this proceeding. The Parties request that the documents listed on the attached **Exhibit A** be admitted into evidence for the limited purpose of supporting and seeking approval for the Stipulation.

III. MOTION TO REMAND

As evidenced by the Unanimous Stipulation and Settlement Agreement, the Parties have fully and finally resolved all issues in this proceeding and no hearing is necessary. Therefore, the Parties request that this docket be remanded to the Commission to allow for review of the Stipulation and approval of the attached Proposed Final Order.

Respectfully submitted,

By: 

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**ATTORNEYS FOR EAST HOUSTON
UTILITIES, INC.**

CERTIFICATE OF SERVICE

I certify that unless otherwise ordered by the presiding officer, notice of this document was provided to all parties of record via electronic mail on June 7, 2024 in accordance with the Second Order Suspending Rules, issued in Project No. 50664.



Geoffrey P. Kirshbaum

Item #	File Stamp	Filing Party	Filing Description
1	07/29/2021	East Houston Utilities	Application of East Houston Utilities Inc. for Authority to Change Rates
7	09/21/2021	East Houston Utilities	1. Notice of Proposed Rate Change to Customers 2. VOA Notary Signed 3. Pg.1 Of Application (1.F) 4. VII-2 5. VI-3 6. VI-1 7. Balance Sheet & Profit and Loss Statement for 2020
8	09/24/2021	East Houston Utilities	RAF Paid from 2017-2020
9	10/13/2021	East Houston Utilities	Complaint List
14	12/01/2021	East Houston Utilities	Answers to Questions for the November 4th, 2021 Memo
19	01/26/2022	East Houston Utilities	Answers to Memo January 12, 2022
22	04/05/2022	East Houston Utilities	Answers to March 11, 2022 Memo
23	04/29/2022	PUC Legal	Commission Staff's Supplemental Recommendation on Administrative Completeness
25	05/04/2022	East Houston Utilities	Affidavit Revised
60	08/25/2022	East Houston Utilities	Filing of affidavit and notice of hearing sent to customers. I accidently filed under our other docket number yesterday. Here's the correct filing.
63	10/24/2022	East Houston Utilities	Direct Testimony
64	11/18/2022	PUC Legal	Revenue Requirement Phase Direct Testimony of Mark Filarowicz
65	11/18/2022	PUC Legal	Confidential- Revenue Requirement Phase Confidential Workpapers of Mark Filarowicz Bate Stamp - 1 To 63
66	11/18/2022	PUC Legal	Revenue Requirement Phase Public Workpapers of Mark Filarowicz
67	11/18/2022	PUC Legal	Direct Testimony of Frederick Quijano
82	05/26/2023	PUC Legal	Amended FQ-1 to Frederick Quijano Direct Testimony
86	05/30/2023	PUC Legal	Commission Staff's First Request for Information to East Houston Utilities, Inc. Question Nos. Staff 1-1 through 1-11

Item #	File Stamp	Filing Party	Filing Description
87	05/31/2023	East Houston Utilities	Answers to RFI 5/30/2023
89	06/09/2023	PUC Legal	Direct Testimony of Frederick Quijano, Rate Regulation Division, Public Utility Commission of Texas, June 9, 2023
90	06/09/2023	PUC Legal	Rate Design Schedules
92	06/15/2023	East Houston Utilities	Pleading for Temporary Rates
95	06/16/2023	PUC Legal	Commission Staff's Unopposed Motion to Set Interim Rates and Motion for Abatement
100	08/29/2023	PUC Legal	Memo with Clean Copies of Tariff
105	09/14/2023	East Houston Utilities	CCN 12042 Cover sheet and monthly P&L statements just for CCN 12042 for 2022.
108	09/17/2023	East Houston Utilities	Attn: SOAH
111	09/29/2023	Stacy Evans	Testimony and Recommended Rate Request.
112	10/22/2023	East Houston Utilities	P&L 2020- All Companies
113	10/25/2023	East Houston Utilities	Cost Allocation Methods
115	01/05/2024	PUC Legal	Commission Staff's Second Request for Information to East Houston Utilities, Inc. Questions Nos. Staff 2-1 through Staff 2-3
116	01/08/2024	East Houston Utilities	Answers to Staff's RFIs on 1/5/2024
118	01/16/2024	East Houston Utilities	Direct Testimony
120	02/12/2024	PUC Legal	Supplemental Direct Testimony of Frederick Quijano
121	02/13/2024	East Houston Utilities	Response to Mr. Quijano's Direct Testimony
130	05/20/2024	East Houston Utilities	Joint Notice of Stipulation and Agreed Motion to Dismiss
131	05/20/2024	East Houston Utilities	Unanimous Stipulation and Settlement Agreement

Item #	File Stamp	Filing Party	Filing Description
133	05/31/2024	PUC Legal	Commission Staff's Memorandum in Support of Unanimous Stipulation and Settlement Agreement
134	06/07/2024	East Houston Utilities	Direct Testimony of Stephen P. Krebs in Support of Unanimous Stipulation and Settlement Agreement
135	06/07/2024	East Houston Utilities	Proposed Final Order

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PROPOSED FINAL ORDER

This Order addresses the application of East Houston Utilities, Inc. (EHU) for authority to change its water rates and tariff for its water certificate of convenience and necessity (CCN) No. 12042 service area in Harris County. EHU, the Staff (Staff) of the Public Utility Commission of Texas (Commission), Lauren Hood, Wesley Francis, Barry Evans, and J.D. and Mona Keller (collectively, the Parties) filed a Unanimous Stipulation and Settlement Agreement (Agreement) that resolves all issues in this proceeding. The Commission approves the agreed water rates and associated tariff to the extent provided in this Order.

I. FINDINGS OF FACT

The Commission makes the following findings of fact.

Applicant

1. EHU is a domestic for-profit corporation registered with the Texas Secretary of State under filing number 801457298.
2. EHU owns for compensation facilities and equipment for the transmission, storage, distribution, sale, or provision of potable water to the public in Texas.
3. EHU provides potable water service for compensation to approximately 23 connections in Harris County under certificate of convenience and necessity number 12042.

Application

4. On July 29, 2021, EHU filed an application to change its water rates and associated tariff under Texas Water Code (TWC) §§ 13.1871 and 13.1872.
5. On September 21 and 24, 2021, October 13, 2021, December 1, 2021, January 26, 2022, and April 5, 2022, EHU supplemented its application.
6. In Order No. 8 filed on May 3, 2022, the administrative law judge (ALJ) found the application, as supplemented, administratively complete.
7. The final supplemented application is based on a historical test year ending December 31, 2020, adjusted for what EHU contends are known and measurable changes.
8. In its application, EHU requested an annual revenue requirement of \$62,823.00 and an overall rate of return of 6%.

Notice

9. On or about May 4, 2022, EHU provided via U.S. mail to each customer of EHU, each affected municipality, and the Office of Public Utility Counsel (OPUC) a notice of the proposed rate change.
10. On May 4, 2022, EHU filed the Affidavit of Hannah Krebs, Records Coordinator of EHU, attesting that the notice of the proposed rate change was provided via U.S. mail to each customer of EHU, each affected municipality, and OPUC.
11. On August 25, 2022, EHU filed the Affidavit of Hannah Krebs, Records Coordinator of EHU, attesting that notice of the September 13, 2022 prehearing conference was mailed to all of its customers, each affected municipality, and any other affected party on or about August 23, 2022.
12. On September 28, 2022, the SOAH ALJ found the prehearing conference notice sufficient.

Protests and Interventions

13. From May 9, 2022 to May 27, 2022, ratepayer protests and interventions were filed totaling more than 10 percent of the total active EHU customer connections at the time of filing the Rate Application.
14. On May 13, 2022, Gary Lechner filed a motion to intervene.
15. On May 15, 2022, Lauren Hood filed a motion to intervene.
16. On May 16, 2022, Wesley Francis filed a motion to intervene.
17. On May 31, 2022, Commission Order No. 9 granted the interventions of Gary Lechner, Lauren Hood, and Wesley Francis.
18. On September 28, 2022, SOAH issued Order No. 2, admitting Barry Evans and J.D. and Mona Keller as intervenors.

Referral to SOAH

19. On August 3, 2022, the Commission referred this case to SOAH because over 10% of the affected ratepayers had filed a protest of the proposed changes in rates and Staff had requested referral.
20. On August 4, 2022, the Commission issued a preliminary order.
21. On August 17, 2022, SOAH issued Order No. 1, establishing jurisdiction.
22. On September 13, 2022, SOAH conducted a prehearing conference.
23. On September 28, 2022, SOAH issued Order No. 2 which adopted a procedural schedule, set a date for the hearing on the merits, and referred the case for mediation.
24. On December 5, 2022 Staff filed a Motion to Abate Procedural Schedule for Mediation.
25. On January 28, 2023, the parties participated in SOAH mediation.

26. On April 20, 2023, SOAH mediators filed a mediation report, stating that no resolution was reached and returning the case to the SOAH ALJ.
27. On May 5, 2023, SOAH conducted a prehearing conference and set the hearing on the merits for May 30, 2023.
28. On May 30, 2023, the scheduled hearing on the merits was continued until June 12, 2023.
29. On June 12, 2023, at the hearing on the merits, Staff made an oral motion for interim rates and a motion to continue.
30. On January 9, 2024, SOAH conducted a prehearing conference, and the hearing on the merits was scheduled for March 6, 2024.
31. On February 27, 2024, EHU filed a motion to abate.
32. On February 29, 2024, SOAH issued Order No. 10, granting abatement.
33. On May 20, 2024, EHU filed a Unanimous Stipulation and Settlement Agreement that fully resolves the issues between the Parties in this proceeding.
34. On May 20, 2024, EHU filed a motion to dismiss Gary Lechner as a party.
35. On June 7, 2024, EHU, on behalf of the Parties, filed a Joint Motion to Admit Evidence and Remand.
36. On June ___, 2024 SOAH issued Order No. 12, dismissing Mr. Lechner.
37. On June ___, 2024, SOAH issued Order No. ___ dismissing the SOAH docket and returning the matter to the Commission after admitting the following evidence: (a) Application of East Houston Utilities Inc. for Authority to Change Rates; (b) EHU's supplements to its Application filed on September 21 and 24, 2021, October 13, 2021, December 1, 2021, January 26, 2022, and April 5, 2022; (c) Commission Staff's Supplemental Recommendation on Administrative Completeness; (d) EHU's Affidavit of

Notice of Application; (e) EHU's Affidavit of Hearing Notice; (f) EHU's Direct Testimony and all amendments and supplements; (g) Revenue Requirement Phase Direct Testimony of Mark Filarowicz and workpapers; (h) Direct Testimony of Frederick Quijano and all amendments and supplements; (i) Amended FQ-1 to Frederick Quijano Direct Testimony; (j) Commission Staff's First Request for Information to East Houston Utilities, Inc. Question Nos. Staff 1-1 through 1-11; (k) EHU's Answers to RFI 5/30/2023; (l) Staff's Rate Design Schedules; (m) EHU's Pleading for Temporary Rates; (n) Commission Staff's Unopposed Motion to Set Interim Rates and Motion For Abatement; (o) Staff's Memo with Clean Copies of Tariff; (p) EHU's supplemental information filed on September 14, 2023, September 17, 2023, October 22, 2023, and October 25, 2023; (q) Stacy Evans's Testimony and Recommended Rate Request; (r) Commission Staff's Second Request for Information to East Houston Utilities, Inc. Questions Nos. Staff 2-1 through Staff 2-3; (s) EHU's Answers to Staff's RFIs on 1/5/2024; (t) EHU's Response to Mr. Quijano's Direct Testimony; (u) Joint Notice of Stipulation and Agreed Motion to Dismiss; (v) Unanimous Stipulation and Settlement Agreement; (w) Commission Staff's Memorandum in Support of Unanimous Stipulation and Settlement Agreement; (x) Direct Testimony of Stephen P. Krebs in Support of Unanimous Stipulation and Settlement Agreement; and (y) Proposed Final Order.

Description of the Agreement

37. The Agreement provides that EHU should be allowed to implement the retail water utility rates contained in the tariff attached to the Agreement as Exhibit A. The rates resulting from the agreement promote water conservation for single-family residences and landscape irrigation.

38. As part of the Agreement, the parties agreed to bear their own costs to litigate this docket, and EHU agreed to not seek rate cases expenses in connection with this docket in a future rate application docket.
39. As part of the next rate/tariff change application it files, EHU agreed to produce its affiliate services agreements, if any, and an organization chart showing the relationship of EHU to its affiliates, if any.
40. Considered in light of EHU's Rate Application, responses to discovery requests, the prefiled testimonies of the Parties, and information exchanged through confidential privileged settlement negotiations, the agreement is the result of compromise from the Parties, and these efforts, as well as the overall result of the agreement, support the reasonableness and benefits of the terms of the agreement.

Interim Rates

41. On June 12, 2023, Staff made an oral motion for interim rates during the hearing on the merits.
42. On June 16, 2023, Staff filed an unopposed motion to set interim rates.
43. On June 19, 2023, the ALJ granted the motion for interim rates.
44. On August 29, 2023, Staff filed a clean copy of the water tariff containing the interim rates.

Rates

45. The rates set in this Order are just and reasonable.
46. The rates set in this Order will provide EHU with adequate revenue to ensure it can provide continuous and adequate service.
47. The rates set in this Order will allow EHU a reasonable opportunity to earn a reasonable return on its invested capital.

Informal Disposition

48. More than 15 days have passed since completion of the notice provided in this docket.
49. The remaining parties to this proceeding are EHU, Staff, Lauren Hood, Wesley Francis, Barry Evans, J.D. Keller, and Mona Keller.
50. All parties signed the agreement.
51. No hearing is necessary.
52. The decision is not adverse to any party in this proceeding.
53. This docket does not contain any remaining contested issues of fact or law.

II. CONCLUSIONS OF LAW

The Commission makes the following conclusions of law.

1. EHU is a utility, public utility, and water utility as those terms are defined in TWC § 13.002(23) and 16 Texas Administrative Code (TAC) § 24.3(39).
2. EHU is a retail public utility as defined in TWC § 13.002(19) and 16 TAC § 24.3(31).
3. EHU is a class D utility as defined in TWC § 13.002(4-d) and 16 TAC § 24.3(8).
4. The Commission has authority over this proceeding under TWC §§ 13.041, 13.181, 13.1871, and 13.1872(c)(2).
5. The Commission processed this docket in accordance with the requirements of the Administrative Procedure Act,¹ the TWC, and Commission rules.
6. EHU complied with the requirement to provide public notice of the application as required by TWC § 13.1871, 16 TAC § 24.27(d)(1), and the Administrative Procedure Act.
7. Under TWC § 13.184(c) and 16 TAC § 24.12, EHU bears the burden of proof to establish that the proposed rates are just and reasonable.

¹ Administrative Procedure Act, Tex. Gov't Code §§ 2001.001-.902.

8. The rates approved by this Order are just and reasonable as required by TWC § 13.182(a).
9. The rates approved by this Order are not unreasonably preferential, prejudicial, or discriminatory and are sufficient, equitable, and consistent in application to each class of customers in accordance with TWC § 13.182(b).
10. EHU's operating expenses are reasonable and necessary under 16 TAC § 24.41(b).
11. In accordance with TWC § 13.183(a), the rates approved by this Order will preserve the financial integrity of EHU and will permit EHU 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.
12. EHU's rate will not yield more than a fair return on invested capital used and useful in rendering service to the public in accordance with TWC § 13.184(a) and 16 TAC § 24.41(c)(1).
13. 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.
14. 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 EHU's provision of service.
15. The rates approved by this Order comply with 16 TAC § 24.43(b)(1) regarding conservation.
16. It is not necessary for EHU to implement a refund, credit, or surcharge to return or collect amounts recovered under the interim rate effective on the first billing cycle following June 19, 2023, under 16 TAC § 24.37.

17. The requirements for informal disposition under 16 TAC § 22.35 have been met in this proceeding.

III. ORDERING PARAGRAPHS

In accordance with the findings of fact and conclusions of law, the Commission issues the following orders:

1. The Commission approves EHU's water rates and associated tariff to the extent provided in this Order.
2. The Commission approves the rates and terms included in the water tariff attached to the Agreement as Exhibit A, effective the first day of the month following the date this Order is signed.
3. EHU must not file for an increase in base rates with an effective date that is sooner than 12 months after the date that this Order is signed.
4. All parties to the settlement must comply with the terms of the Agreement.
5. EHU must comply with its commitments set forth in the agreement and incorporated in this Order.
6. EHU must not seek to recover any rate-case expenses incurred in connection with this docket in future proceedings.
7. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the parties' agreement and must not be regarded as precedential as to the appropriateness of any principle or methodology underling the parties' agreement.

8. Within ten days of the date of this Order, Commission Staff must provide the Commission with a clean copy of EHU's water tariff to be marked *Approved* and retained by Central Records.
9. 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 _____, 2024.

PUBLIC UTILITY COMMISSION OF TEXAS

THOMAS J. GLEESON
CHAIRMAN

LORI COBOS
COMMISSIONER

JIMMY GLOTFELTY
COMMISSIONER

KATHLEEN JACKSON
COMMISSIONER