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DOCKET NO. 52370

APPLICATION OF EAST HOUSTON UTILITIES INC. FOR AUTHORITY TO CHANGE RATES §
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 § **PUBLIC UTILITY COMMISSION OF TEXAS**

COMMISSION STAFF'S SUPPLEMENTAL RECOMMENDATION ON ADMINISTRATIVE COMPLETENESS

On July 29, 2021, East Houston Utilities Inc. (East Houston) filed an application for authority to change rates under Texas Water Code §§ 13.1871 and 13.1872(c)(2) for its certificate of convenience and necessity (CCN) number 12042.

On November 15, 2021, the administrative law judge (ALJ) filed Order No. 4 and set a deadline of December 6, 2021 for East Houston to file documentation supplementing its application, and January 12, 2022 for Staff to file a supplemental recommendation regarding administrative completeness and propose a procedural schedule, if appropriate.

I. ADMINISTRATIVE COMPLETENESS

Staff has reviewed the application as supplemented by East Houston Utilities, Inc. As detailed in the attached memorandum Leila Guerrero, Rate Regulation Division, Staff recommends that the ALJ find the application to be administratively complete.

II. PROCEDURAL SCHEDULE

In accordance with Staff's sufficiency recommendation, Staff proposes the following procedural schedule:

Event	Date
Deadline for East Houston to file with the Commission signed affidavits that the notice was given along with a copy of the notice sent to the affected parties and published in a newspaper of general circulation	<i>February 16, 2021</i>
Deadline for Staff to file a recommendation on sufficiency of notice	<i>March 18, 2021</i>
Deadline to intervene	<i>30 days after notice is issued</i>

III. CONCLUSION

For the reasons detailed above, Staff recommends that the application be found administratively complete and that the procedural schedule proposed above be adopted for further processing of this matter.

Dated: January 13, 2022

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Rachelle Nicolette Robles
Division Director

/s/ Kevin R. Bartz

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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 January 13, 2022, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Kevin R. Bartz
Kevin R. Bartz

Public Utility Commission of Texas

Memorandum

TO: Kevin Bartz, Attorney
Legal Division

FROM: Leila Guerrero, Regulatory Accountant
Rate Regulation Division

DATE: January 12, 2022

SUBJECT: **Docket No. 52370** - *Application of East Houston Utilities, Inc. for Authority to Change Rates*

On July 29, 2021, East Houston Utilities, Inc. (East Houston), a Class D water utility with 23 active connections, filed a Class C Rate Change Application for water utility service provided under Certificate of Convenience and Necessity (CCN) No. 12042 in Harris County, Texas. I have conducted an administrative review of the application and notice according to Texas Water Code (TWC) § 13.1871, § 13.1872(c)(2), and 16 Texas Administrative Code (TAC) §§ 24.25 through 24.33.

Based on a review of the initial application and supplemental information filed on September 21, 2021, September 24, 2021, October 13, 2021, and December 1, 2021, I have determined that the application is insufficient. To be sufficient and administratively complete, I recommend that the Applicant provide the following:

1. Corrected Notice of Proposed Rate Change to be Provided to All Ratepayers:

The notice of proposed rate change contains the following errors and needs to be corrected. East Houston needs to review its current approved tariff to make sure it correctly completed the proposed notice to customers.

- a. The calculation for the billing comparisons of the **Current Rates** for 5,000 and 10,000 gallons of water for the 5/8" meters and 3/4" meters remain uncorrected. The current monthly minimum charge of \$23.00, for both meter sizes includes 3,000 gallons. The gallonage charge per 1,000 gallons costs \$2.00 over 3,000 gallons. **East Houston needs to provide a corrected billing comparison that demonstrates rates for the same amounts of includable gallons.**
- b. The current Late Fee charge is **5% not "\$5%; \$1.15."** East Houston needs to remove the "\$" symbol from its filing as well as the "\$1.15" reference. **East Houston's Late Fee charge needs to reflect the stand-alone 5%.**
- c. The current Meter Test Fee is \$25.00 not zero (\$0.00). **East Houston needs to correct the Meter Test Fee to indicate \$25.00.**
- d. The Gallonage Charge, Tier 1, Volume, of the Current Rates should read as "3,001 and above" not "3,001 to 100,000". **East Houston needs to correct this identified**

error.

- e. The 10% of affected ratepayers should be indicated on the notice and should be rounded-off to the next whole number. The number should be indicated on the blank “at least ____ **ratepayers** (10 percent of the customers over whose rates the Commission has...),” located on the first paragraph on page 1 of the notice to customers. **East Houston needs to insert its calculated number into the blank. An unfilled number will cause this application to remain insufficient.**
2. East Houston’s missing responses to Items Nos. 1(c) and (d), and Item No. 3 of Commission Staff’s Recommendation on Administrative Completeness dated September 13, 2021. With respect to Item No. 3, related to affiliate transactions, please be advised of the following statutory requirements:

Affiliates and Affiliated transactions: In order to be considered for inclusion in the cost of service as a reasonable and necessary cost in accordance with TWC § 13.185(e), payment to affiliated interests for costs of any services, or any property, right or thing, or for interest expense must be supported by documentation showing that the price to the utility is no higher than prices charged by the supplying affiliate to its other affiliates or divisions for the same item or items, or to unaffiliated persons or corporations. If the applicant is affiliated with another entity, provide the most recent annual income statement, statement of cash flow, and balance sheet for the affiliated entity or entities.

In responding to No. 2 above, please provide copies of the financial statements (balance sheet, income statement, and statement of cash flow) for the year ended December 31, 2020, for Krebs Utilities, Inc., water CCN No. 11984 (River Oak Water System, Timber Ridge Water, Estate Water Corp, Roving Meadows Water System; for K Lake Water System & Padok Utility, water CCN No. 12598; and for Krebs Utilities, sewer CCN No. 20781. Please include the financial statements of utilities or water and sewer systems that are owned by Mr. Stephen Krebs that were not mentioned above, if any; and

3. Completion of the space for “Date Current Rate Change Notice Delivered,” not N/A. **East Houston needs to remove the “N/A” reference and indicate the date the notice be delivered to all affected customers which is at least 35 days before the effective date of the proposed rate increase.**

I recommend the suspension of the effective date for the proposed rates as allowed by TWC § 13.1871(e) and 16 TAC § 24.33(b)(1).

Further, I recommend that East Houston provide a revised proposed notice and a completed affidavit to the Commission for Staff’s review before it is distributed to all affected customers.

cc:

Anna Givens, Director Financial Review
Rachelle Robles, Division Director