



Filing Receipt

Received - 2022-03-08 02:05:00 PM

Control Number - 52722

ItemNumber - 13

TARIFF CONTROL NO. 52722

**APPLICATION OF CSWR-TEXAS
UTILITY OPERATING COMPANY, LLC
FOR A PASS-THROUGH RATE
CHANGE** §
 § **PUBLIC UTILITY COMMISSION**
 § **OF TEXAS**
 §

JOINT RESPONSE TO ORDER NO. 6

In Order No. 6, the Administrative Law Judge (“ALJ”) directed CSWR-Texas Utility Operating Company, LLC (“CSWR Texas” or “the Company”) to file supplemental information to clarify the issues raised by the ALJ on or before March 8, 2022. As demonstrated below, CSWR Texas maintains that the \$7.35 pass-through rate is correct.

In Order No. 6, the ALJ also directed Staff of the Public Utility Commission (“Commission Staff”) to file a response by March 15, 2022. Commission Staff is joining in this pleading because it has reviewed CSWR Texas’s pass-through in light of Order No. 6 and agrees with CSWR Texas that the pass-through calculation is correct.

This joint response is timely filed.

I. CLARIFICATION IN RESPONSE TO REQUEST FROM ALJ

In Order No. 6, the ALJ requested clarification regarding CSWR Texas’ calculation of the pass-through increase. Specifically, the ALJ inquires how a 12-cent wholesale rate increase results in a 75-cent pass-through increase.¹ After discussing this issue with Staff, CSWR Texas can confirm that the requested pass-through increase is correctly calculated based on the formula in its tariff and that the resulting \$7.35 pass-through rate is necessary to recover costs from the City of Rockport’s \$6.11 wholesale rate in order to account for the almost 17% line loss factored in the calculation.

¹ Order No. 6 at 1 (Feb. 23, 2022).

Importantly, CSWR Texas is bound to calculate the pass-through charge in accordance with its tariff. For the Copano Heights system, that formula is:²

PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE:

Changes in fees imposed by any non-affiliated third-party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

$R = G / (1 - L)$, where

R = the proposed pass-through rate;

G = the new gallonage charge (per 1,000 gallons) by source supplier;

L = the actual line loss for the preceding 12 months.

The correct values for the formula are as follows:

$$G = \$6.11^3$$

$$L = 16.87\%^4$$

After plugging in those values, the result is:

$$R = 6.11 / (1 - .1683)$$

$$R = 6.11 / (.8317)$$

$$R = 7.346$$

$$\mathbf{R = \$7.35}$$

The result can be verified through a hypothetical:

- Assuming CSWR Texas purchases 5,000 gallons from Rockport at \$6.11 per thousand gallons, the cost to CSWR Texas will be $(6.11 \times 5) = \$30.55$.
- Because of CSWR Texas's 16.87% line loss, CSWR Texas can sell only 83.13% of the water it purchases. $(100\% - 16.87\%) = 83.13\%$.
- 83.13 % of 5,000 gallons is $(5,000 \times .8313) = 4,156.5$ gallons sold to customers.
- If CSWR Texas charges the proposed pass-through charge of \$7.35 per thousand gallons, by the number of gallons it sells to customers (in thousands), then it recovers $(4.1565 \times 7.35) = \$30.55$.

² Application of CSWR-Texas Utility Operating company LLC to Amend Pass-through Rate Charge for its Copano Heights Unit 1 & 2 Water System ("Application"), Attachment C at 8 (Oct. 15, 2021).

³ Application, Attachment B at 3.

⁴ CSWR-Texas Utility Operating Company, LLC Response to Order No. 2 at 1 (Nov. 29, 2021).

- Thus, CSWR Texas would recover the exact same amount of money from customers that it is charged by Rockport, which is the purpose of a pass-through charge.

However, Order No. 6 did correctly identify that the redlined information in the tariff presented with CSWR Texas’s application, which shows the pass-through charge changing from \$7.19 to \$7.35, is incorrect. Although the proposed pass-through charge of \$7.35 is correct, the previously approved pass-through charge was \$6.60. The tariff attached to Commission Staff’s Supplemental Recommendation is therefore correct when it states “The pass-through charge most recently increased by \$0.75 from \$6.60 to \$7.35 per 1,000 gallons.”⁵ Likewise, CSWR Texas customers were correctly notified that the pass-through rate would be amended from \$6.60 to \$7.35.⁶ Thus, Commission Staff’s proposed tariff does not need to be amended, and notice does not need to be re-issued.

II. RELIEF REQUESTED

CSWR Texas respectfully requests that the pass-through rate be approved and that the Commission issue a notice of approval consistent with the Joint Proposed Notice of Approval filed on February 1, 2022.

Respectfully submitted,

L. Russell Mitten
General Counsel
Central States Water Resources, Inc.
1650 Des Peres Rd., Suite 303
St. Louis, MO 63131
(314) 380-8595
(314) 763-4743 (Fax)

⁵ Commission Staff’s Supplemental Recommendation on Pass-Through Rate Change, Attached Tariff at Water Tariff Page No. 4 (Jan. 14, 2022).

⁶ CSWR-Texas Utility Operating Company, LLC Response to Order No. 2, Attachment A at 1.



Evan D. Johnson
State Bar No. 24065498
C. Glenn Adkins
State Bar No. 24103097
Coffin Renner LLP
1011 W. 31st Street
Austin, Texas 78705
(512) 879-0900
(512) 879-0912 (fax)
evan.johnson@crtxlaw.com
glenn.adkins@crtxlaw.com

**ATTORNEYS FOR CSWR-TEXAS
UTILITY OPERATING COMPANY,
LLC**

Rachelle Nicolette Robles
Division Director

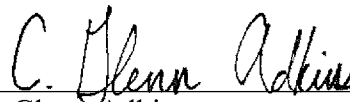
Rustin Tawater
Managing Attorney

/s/ Phillip Lehmann
Phillip Lehmann
State Bar No. 24100140
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7385
(512) 936-7268 (fax)
Phillip.lehmann@puc.texas.gov

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of March 2022, a true and correct copy of the foregoing document was served on all parties of record via electronic mail in accordance with the Order Suspending Rules issued in Project No. 50664.



C. Glenn Adkins