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TARIFF CONTROL NO. 52899

APPLICATION OF SOUTHERN	§	PUBLIC UTILITY COMMISSION
WATER CORPORATION FOR A PASS-	§	
THROUGH RATE CHANGE	§	OF TEXAS

**COMMISSION STAFF'S RECOMMENDATION ON THE APPLICATION AND
NOTICE**

On November 30, 2021, Southern Water Corporation (Southern) filed an application under 16 Texas Administrative Code (TAC) § 24.25(b)(2) for approval of a pass-through rate change for an increase in the fees billed by the City of Houston.

On December 1, 2021, the administrative law judge filed Order No. 1, establishing a deadline of December 30, 2021 for the Staff (Staff) of the Public Utility Commission of Texas (Commission) to file comments on the application and notice. Therefore, this pleading is timely filed.

I. RECOMMENDATION ON THE APPLICATION

Staff has reviewed the application and, as detailed in the attached memorandum by Emily Sears of the Commission's Rate Regulation Division, Staff recommends that the application be found administratively incomplete at this time. Staff further recommends that Southern be ordered to cure the deficiencies identified in Ms. Sears's memorandum by January 21, 2022, and that Staff be given a deadline of February 4, 2022, to file a supplemental recommendation on the administrative completeness of the application.

II. RECOMMENDATION ON NOTICE

Staff recommends that the proposed notice be deemed insufficient. As detailed in Ms. Sears's attached memorandum, the proposed notice provided in Southern's application is deficient. Staff recommends that Southern amend the notice to cure the deficiency identified in Ms. Sears's memorandum by January 21, 2022, and that Staff be given a deadline of February 4, 2022, to file a supplemental recommendation on the administrative completeness of the notice.

III. CONCLUSION

For the reasons detailed above, Staff respectfully requests that the application and notice be found administratively incomplete, that Southern be ordered to file supplemental information to cure the deficiencies in the application and notice by January 21, 2022, and that Staff be given a deadline of February 4, 2022, to file a supplemental response on the administrative completeness of the application and notice.

Dated: December 30, 2021

Respectfully submitted,

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

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/s/ Ian Groetsch
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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 December 30, 2021, in accordance with the Order Suspending Rules issued in Project No. 50664.

/s/ Ian Groetsch
Ian Groetsch

Public Utility Commission of Texas

Memorandum

TO: Ian Groetsch, Attorney
Legal Division

FROM: Emily Sears, Financial Analyst
Rate Regulation Division

DATE: December 22, 2021

RE: Docket No. 52899 – *Application of Southern Water Corporation for a Pass-Through Rate Change*

On November 30, 2021, Southern Water Corporation (Applicant) filed an application to implement a pass-through rate change under 16 Texas Administrative Code (TAC) § 24.25(b)(2) for an increase in the fees billed by City of Houston. The increase by City of Houston raises the fee charged to the Applicant to \$1.15 per thousand gallons and was effective on the Applicant's April 2021 billing. This rate increase is an accumulation of rate increases from the City of Houston over the past nine years.

The Applicant is providing service under certificate of Convenience and Necessity (CCN) No. 11389,¹ and the application asked for an exemption to provide a copy of the tariff pages for CCN No. 11389 that contain the rates that will change if the application is approved.² The Applicant stated that the previous case with TCEQ to change the pass-through rate from the City of Houston rate was an informal agreement with no new tariff pages issued. A copy of the notice provided to customers was also filed with the application.³ However, the notice did not include the calculation of the previous rate of \$0.88.⁴

The Applicant has requested a pass-through rate change from \$0.88 to \$1.15 per thousand gallons for the Hidden Valley Subdivision in Harris County, Texas, PWS ID No. 1010012.⁵ The application included documentation from the City of Houston, which shows an increase in the fees charged to the Applicant.⁶ However, the fee of \$0.993 was not supported by documentation in the application and is not directly listed in the documentation from the City of Houston. The requested pass-through rate includes line loss indirectly but does not match the Applicant's yearly line loss submitted in its Annual Report included in the application due to timing of the line losses. The

¹ 16 TAC § 24.25(b)(2)(F)(i)(I).

² 16 TAC § 24.25(b)(2)(F)(i)(VIII).

³ 16 TAC § 24.25(b)(2)(F)(i)(III).

⁴ 16 TAC § 24.25(b)(2)(F)(ii)(II).

⁵ 16 TAC § 24.25(b)(2)(F)(i)(II).

⁶ 16 TAC § 24.25(b)(2)(F)(i)(IV).

Applicant used line loss for the time period of July 2020 through June 2021 in its formula. The Annual Report calculates line loss from January 2020 to December 2020.

The application does not meet the requirements of 16 TAC § 24.25(b)(2). I recommend that the application be deemed insufficient for filing and that the Applicant provide the following information:

1. Include the present calculation of customer billings in the notice to customers;
2. Provide the calculation of the \$0.993 in the formula in the Applicant's current application; and
3. Provide a full copy of the proposed tariff that the Applicant requests to be used as the new PUC-approved tariff.

cc: Anna Givens, Director of Financial Review Section, Rate Regulation Division
Kathryn Eiland, Financial Analyst, Rate Regulation