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TARIFF CONTROL NO. 53209

APPLICATION OF UNDINE TEXAS, LLC FOR A PASS-THROUGH RATE CHANGE	§ § §	PUBLIC UTILITY COMMISSION OF TEXAS
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**COMMISSION STAFF’S RECOMMENDATION ON THE APPLICATION AND NOTICE
AND PROPOSING A PROCEDURAL SCHEDULE**

On February 11, 2022, Undine Texas, LLC (Undine), filed an application for approval of a proposed pass-through rate change pursuant to 16 Texas Administrative Code (TAC) § 24.25(b)(2) and Ordering Paragraph No. 5 of the Notice of Approval filed in Docket No. 51828.¹ Undine proposes a pass-through rate change for three subdivisions: Spring Creek Valley Estates Subdivision in Harris County (Public Water System (PSW) No. 1010213); Hazy Hollow East Estate Subdivision in Montgomery County (PWS No. 1700013); and River Club Water Company in Montgomery County (PWS No. 1700185).

On August 4, 2022, the administrative law judge filed Order No. 8 directing Staff (Staff) of the Public Utility Commission (Commission) of Texas to file a recommendation regarding the sufficiency of the application and notice and propose a procedural schedule, if appropriate, by August 12, 2022. Therefore, this pleading is timely filed.

I. STAFF RECOMMENDATION ON APPLICATION

Staff has reviewed the application and, as detailed in the attached memorandum from Kathryn Eiland of the Rate Regulation Division, recommends that the application meets the requirements of 16 TAC § 24.25(b)(2). Further, Staff recommends approval of the application as modified in Ms. Eiland’s memorandum.

II. STAFF RECOMMENDATION ON NOTICE

Notice in this proceeding is governed by 16 TAC § 24.25(b)(2)(F)(ii). Staff has also reviewed the notice filed with the application. The notice, provided as a bill insert to customers, included the information required by 16 TAC 24.25(b)(2)(F)(ii). Therefore, Staff recommends that the notice provided is sufficient and that the pass-through rate changes for these subdivisions take effect May 1, 2022. The tariff reflecting the pass-through rate changes is attached.

¹ *Application of Undine Texas, LLC for a Pass Through Rate Change*, Docket No. 51828, Notice of Approval (Apr. 13, 2021).

III. PROPOSED PROCEDURAL SCHEDULE

Following its recommendation that Undine's application is sufficient, Staff proposes the following procedural schedule.

Event	Date
If no hearing is requested, deadline for parties to file a motion to admit evidence and joint proposed findings of fact and conclusions of law	September 15, 2022

IV. CONCLUSION

For the reasons stated above, Staff respectfully requests the entry of an order consistent with the foregoing recommendations.

Dated: August 12, 2022

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Keith Rogas
Division Director

/s/ Ian Groetsch
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DOCKET NO. 53209

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 on August 12, 2022 in accordance with the Order Suspending Rules filed in Project No. 50664.

/s/ Ian Groetsch
Ian Groetsch

Public Utility Commission of Texas

Memorandum

TO: Ian Groetsch, Attorney
Legal Division

FROM: Kathryn Eiland, Regulatory Accountant
Rate Regulation Division

DATE: August 12, 2022

RE: Tariff Control No. 53209 - *Application of Undine, Texas, LLC for a Pass-Through Rate Change*

On February 11, 2022, Undine Texas, LLC (Undine) filed an application to implement pass-through rate changes under 16 Texas Administrative Code § 24.25 (b)(2) for an increase in the well pumpage fees charged by North Harris County Regional Water Authority (NHCRWA) and the San Jacinto River Authority (SJRA). The increase by NHCRWA raises the pumpage fee charged to Undine from \$4.25 to \$4.60 per 1,000 gallons effective April 1, 2021. The increase by SJRA raises the pumpage fee charged to Undine from \$2.73 to \$2.88 per 1,000 gallons effective September 1, 2021.

Undine is providing service to the three subdivisions (Spring Creek Valley Estates, Hazy Hollow East Estates, and River Club Water Company) affected by this pass-through rate change under certificate of convenience and necessity number (CCN) 13260,¹ and the application included a copy of the tariff pages for CCN number 13260 that contain the rates that will change if the application is approved.² A copy of the notice provided to customers was also filed with the application.³ Staff has reviewed the application and notices.

Undine requests the following:

- a NHCRWA pass-through rate change from \$8.12 to \$9.63, plus actual line loss of 52.25% for the Spring Creek Valley Estates Subdivision;
- a SJWA pass-through rate change from \$3.42 to \$3.80, plus actual line loss of 24.28% for the Hazy Hollow East Estates Subdivision; and
- a SJWA pass-through rate change from \$5.44 to \$7.46, plus actual line loss of 61.37% for the River Club Water Company Subdivision.

Undine charged customers the pass-through rates it requested for the Spring Creek Estates and River Club Water Company subdivisions and not the rates approved in Tariff Control Number

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).

51828.⁴ Undine also calculated the new rates in this application using the unapproved rates. The following pass-through rates were recommended and approved in Tariff Control Number 51828

- Spring Creek Valley Estates \$6.58⁵
- Hazy Hollow East Estates \$3.42⁶
- River Club Water Company \$3.91⁷

Undine requests to amend its tariff to recover line losses at actual levels. Although 16 TAC § 24.25(b)(2)(E) allows for the calculation of the line loss allowance to be considered on a case-by-case basis, the actual line loss for two of the three subdivisions is unreasonably high. Additionally, the actual line loss reported for each of the three subdivisions in this application are higher than previously reported in last year's pass-through application. According to a 2020 Water Loss Audit Summary by Population conducted by the Texas Water Development Board, the percentage of total non-revenue water statewide is 18.83%. The report can be found at <https://www.twdb.texas.gov/conservation/municipal/waterloss/historical-annual-report.asp>. Non-revenue water includes unbilled metered consumption, unbilled unmetered consumption, unauthorized consumption, customer meter accuracy loss, systematic data handling discrepancy, reported breaks and leaks, and unreported loss. However, water loss is not comprised of unbilled metered consumption and unbilled unmetered consumption. Therefore, I believe that allowing Undine to recover 15% line loss is reasonable. Additionally, based upon my review of the information presented in this proceeding, it is not in the public interest to allow Undine to recover actual line loss from ratepayers. I recommend that the language "the actual line loss for the preceding 12 months, not to exceed 0.15" remain in the pass-through equation in Undine's tariff. I calculated the pass-through rates using the approved rates and the maximum line loss of 15% in accordance with the pass-through equation listed on Undine's tariff. Therefore, I recommend the following pass-through rates (\$/1,000 gallons):

Subdivision	Approved Pass-Through Rates (per 1,000 gallons)⁸	Requested Pass-Through Rates	Recommended Pass-Through Rates
Spring Creek Valley Estates	\$6.58	\$9.63	\$5.41
Hazy Hollow East Estates	\$3.42	\$3.80	\$3.39
River Club Water Company	\$3.91	\$7.46	\$3.39

The application meets the requirements of 16 TAC § 24.25(b)(2). I recommend that the application be approved to increase the pass-through rates as recommended above for Spring Creek Valley

⁴ *Application of Undine Texas, LLC for a Pass Through Rate Change*, Tariff Control No. 51828, Notice of Approval at Ordering Paragraph 2 (Apr. 13, 2021) and *Water Utility Tariff*, Tariff Control No. 51828 at Bates pp. 14 and 19 (Apr. 23, 2021).

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

Estates, Hazy Hollow East Estates, and River Club Water Company effective May 1, 2022 and Undine be provided with a copy of the attached tariff. I further recommend that two compliance dockets be opened for the reasons listed:

- to true-up the difference between the Commission-approved rates and the requested rates charged from April 1, 2021 through April 30, 2022 and
- to true-up the difference between the rates charged from May 1, 2022 through the date the Administrative Law Judge approves my recommended pass-through rates in this proceeding.