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DOCKET NO. 53209

**APPLICATION OF UNDINE TEXAS, § PUBLIC UTILITY COMMISSION
LLC FOR A PASS THROUGH RATE §
CHANGE § OF TEXAS**

COMMISSION STAFF'S INFORMATION FILING

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 (PWS) 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 16, 2022, the administrative law judge issued Order No. 9 directing Staff (Staff) of the Public Utility Commission of Texas (Commission) to file a motion to admit evidence and joint proposed findings of fact and conclusion of law by September 15, 2022. Staff timely files this information pleading as support for the upcoming joint motion to admit evidence and proposed notice of approval.

I. STAFF INFORMATION FILING

Staff provides the attached memorandum from Kathryn Eiland to support the upcoming joint motion to admit evidence and proposed notice of approval. Ms. Eiland essentially explains the reasoning behind Staff's agreement to change the line loss rates Ms. Eiland proposed in her August 12, 2022 memorandum.²

II. CONCLUSION

Staff respectfully requests that the attached information be taken into consideration for the further processing of this docket.

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

² *See Commission Staff's Recommendation on the Application and Notice and Proposing a Procedural Schedule*, Memorandum at 4-6 (Aug. 12, 2022).

Date: September 15, 2022

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Keith Rogas
Division Director

John Harrison
Managing Attorney

/s/ Ian Groetsch
Ian Groetsch
State Bar No. 24078599
Bradley Reynolds
State Bar No. 24125839
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7465
(512) 936-7268 (facsimile)
Ian.Groetsch@puc.texas.gov

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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 September 15, 2022 in accordance with the Second 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: Kathryn Eiland, Regulatory Accountant
Rate Regulation Division

DATE: September 15, 2022

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

This memorandum represents the amended accounting and tariff review of Undine Texas, LLC's (Undine) February 11, 2022 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 requested pass-through rates for the Spring Creek Valley Estates Subdivision, Hazy Hollow East Estates Subdivision, and River Club Water Company Subdivision using actual line loss. In addition, Undine's application shows that the requested pass-through rates in Tariff Control No. 51828 were implemented for the Spring Creek Valley Estates Subdivision and River Club Water Company Subdivision instead of the approved pass-through rates. I recalculated the pass-through rates for this application using the formula in Undine's tariff, which includes the maximum system average line loss of 15%. This resulted in my initial recommendation of pass-through rates that were less than Undine requested. On August 16, 2022, the Administrative Law Judge (ALJ) established a deadline for Undine to respond to the recommendation. On August 30, Undine filed its response.

After reviewing Undine's response, I recalculated the line loss using the weighted average line loss of the three subdivisions referenced in this application. In its August 30, 2022 response to Staff, Undine represents that due to logistical issues beyond its control, it has been unable to replace deficient water meters in the Nerro Systems. Global supply chain disruptions have resulted in extraordinary delivery times and increased prices. Further, Undine acquired the Nerro Systems in July 2020 at the beginning of the pandemic, when most of the world was working remotely. Undine describes that the lack of available personnel further exacerbated inefficiencies related to system improvements. Based on current circumstance, Undine believes that it will replace the meters by 2024 and, by this time, resolve the line loss issues. Accordingly, I agree that some adjustments to my originally proposed line loss rates are warranted.

To calculate the weighted average line loss, I determined the percentage that each of three subdivisions represents as a percentage of the total connection count for all three subdivisions. Each percentage was then multiplied by the actual line loss provided in the application. The total for the three subdivisions resulted in the weighted average line loss equal to 31.3%. The table below shows my amended recommended pass-through rates. I recommend that the subdivision that experienced actual line loss below the 31.3% weighted average line loss use actual line loss for the calculation of the pass-through rate. I recommend that the subdivisions that experienced actual line loss higher than the 31.3% weighted average line loss use the weighted average line loss for the calculation of the pass-through rate. Applying this amended recommendation, the pass-through rate for Hazy Hollow Estates Subdivision is based on its actual line loss. The amended recommended pass-through rates for the Spring Creek Valley Estates Subdivision and River Club Water Company Subdivision are based on my calculated weighted average line loss.

I recommend the following pass-through rates (\$/1,000 gallons):

Subdivision	Approved Pass-Through Rates (per 1,000 gallons)¹	Requested Pass-Through Rates	Recommended Pass-Through Rates
Spring Creek Valley Estates	\$6.58	\$9.63	\$6.70
Hazy Hollow East Estates	\$3.42	\$3.80	\$3.80
River Club Water Company	\$3.91	\$7.46	\$4.19

I further recommend that the ALJ open two compliance dockets 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 ALJ approves my amended recommended pass-through rates in this proceeding.

¹ *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).