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DOCKET NO. 53428

APPLICATION OF AQUA TEXAS, INC.	§	PUBLIC UTILITY COMMISSION
FOR SYSTEM IMPROVEMENT	§	
CHARGES	§	OF TEXAS

**COMMISSION STAFF'S RECOMMENDATION ON ADMINISTRATIVE
COMPLETENESS OF THE APPLICATION AND NOTICE**

On April 14, 2022, Aqua Texas Inc. (Aqua Texas) filed an application for system improvement changes under Texas Water Code § 13.183(c) and 16 Texas Administrative Code (TAC) § 24.76.

On April 18, 2022, the administrative law judge (ALJ) filed Order No. 1 requiring the Staff (Staff) of the Public Utility Commission of Texas (Commission) to file a recommendation regarding the administrative completeness of the application and proposed notice and to propose a procedural schedule by May 16, 2022. Therefore, this pleading is timely filed.

I. ADMINISTRATIVE COMPLETENESS

After review, and as detailed in the attached memorandum from Heidi Graham of the Infrastructure Division, Staff recommends that the petition be deemed administratively incomplete. Staff recommends that Aqua Texas be ordered to submit the additional content as detailed in Ms. Graham's memorandum. This recommendation is not a comment on the merits of the application.

II. NOTICE

Under 16 TAC § 24.76(f), a utility applying for a system improvement charge must provide proof that notice of the application has been mailed to all affected ratepayers by the first business day after it files its application. In a signed affidavit by Kurt Scheibelhut, Manager of Rates and Planning for Aqua Texas, dated April 26, 2022, Aqua Texas attests that it mailed notice of the application to all affected ratepayers on April 15, 2022, the day after the application was filed. Accordingly, Staff recommends that the notice is sufficient.

III. PROPOSED PROCEDURAL SCHEDULE

In accordance with Staff's recommendation, Staff does not propose a procedural schedule for continued processing of the docket at this time. Staff recommends that Aqua Texas be ordered to cure the deficiencies identified in Ms. Graham's memorandum by June 16, 2022, and that Staff be given a deadline of July 18, 2022, to file a supplemental recommendation on the administrative completeness of the application. Staff intends to propose a procedural schedule alongside a subsequent supplemental recommendation that recommends the application is sufficient.

IV. CONCLUSION

For the reasons detailed above, Staff recommends that the application be found administratively incomplete. Staff also recommends that notice be found sufficient. Staff respectfully requests the entry of an order consistent with these recommendations.

Dated: May 16, 2022

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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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 May 16, 2022, 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: Heidi Graham, Lead Engineering Specialist
Infrastructure Division

DATE: May 16, 2022

RE: **Docket No. 53428:** *Application of Aqua Texas, Inc. for System Improvement Charges*

On April 14, 2022, Aqua Texas, Inc. (Aqua) filed an application with the Public Utility Commission of Texas for an approval of proposed water and sewer system improvement (SIC) charges for Aqua's North, Southeast, and Southwest regions under Texas Water Code § 13.183(c) and 16 Texas Administrative Code (TAC) § 24.76.

I reviewed the application for administrative completeness, specifically the portions that address reconcilable cost and depreciation expense under 16 TAC § 24.76(d)(1) and (3) and (e)(3-4) and (7) and related information under subsection (d)(2) of the rule; and the requirements of (d)(4) and (5) of the rule. I have identified administratively incomplete items in these portions of the application.

I recommend that the application is administratively incomplete and that Aqua provide the following information for Staff's review:

1. Please breakout Schedules D and E from the "Aqua Texas- SIC Supporting Schedules" for each region and service and revise the schedules into six different Excel spreadsheets with formulae intact to include a spreadsheet for water for each region (North/Southeast/Southwest) and a spreadsheet for wastewater for each region. Please do not hide any columns, provide a description for each column heading and provide a detailed description for each eligible plant item.
2. Eligible plant is defined in 16 TAC § 24.76(b)(1) as plant properly recorded in the National Association of Regulatory Utility Commissioners (NARUC) System of Accounts, accounts 304 through 339 for water utility service or accounts 354 through 389 for wastewater service. There appear to be accounts included in the reconcilable cost that do not meet the definition of eligible plant. Accounts 301, 302, 303, 351 and 353 appear to be included in the reconcilable cost in SCH D (2020 & 2021 Added) Excel.¹ Please revise the application as necessary to meet the definition of eligible plant.

¹ Application, Schedules A-D (Attachment 2) at 000010-00098 (Apr. 14, 2022). (Attachment 2).

3. The rule requires the inclusion in the application of an explanation of how each project has improved or will improve service. Please provide an explanation for each project as to how each project has improved or will improve service.²
4. Please clarify whether net salvage is included in the Depr Grp Rates in column AC in schedule D of Aqua Texas-SIC Supporting Schedules. If net salvage is included in the Depr Grp Rates, please provide the supporting study for the salvage and cost of removal for each eligible NARUC account.³
5. Please provide the depreciation study that determines the Depreciation Grp Rate for each eligible NARUC account included in the application.⁴
6. “Eligible cost”⁵ is not included in the SIC formula.⁶ Only “reconcilable cost” is included in the SIC formula. Please correct the SIC formula and revise the application as necessary to meet the requirements of the rule.
7. Refer to Footnote 1.⁷ Please confirm whether the assets to be transferred from Aqua Utilities, Inc. to Aqua southeast region in sale, transfer, merger Docket No. 51506, are included in this case as eligible plant and reconcilable cost.⁸ The sale, transfer or merger is not considered approved by the Commission until a final order is issued approving the transaction. If included, please remove the assets to be transferred in Docket No. 51506.

² See 16 TAC § 24.76(d).

³ See 16 TAC § 24.41(c)(2)(C)(v).

⁴ See *id.*

⁵ Attachment 2 at 000010.

⁶ See 16 TAC § 24.76(e).

⁷ Application at 000003 (Apr. 14, 2022).

⁸ See 16 TAC § 24.239(n).