



Filing Receipt

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DOCKET NO. 54121

APPLICATION OF SP UTILITY	§	PUBLIC UTILITY COMMISSION
COMPANY, INC. FOR TEMPORARY	§	
RATES FOR A NONFUNCTIONING	§	OF TEXAS
UTILITY	§	

COMMISSION STAFF'S RECOMMENDATION ON FINAL DISPOSITION

I. INTRODUCTION

On September 15, 2022, Harrison Williams (Mr. Williams) owner of SP Utility Company, Inc. (SP Utility) and temporary manager of Villa Utilities, water Certificate of Convenience and Necessity (CCN) No. 12079, filed with the Public Utility Commission of Texas (Commission) a request for a temporary rate increase pursuant to Texas Water Code (TWC) § 13.046 and 16 Texas Administrative Code (TAC) § 24.363 in Chambers County. Villa Utilities has three active public water systems (PWS): Vista Utilities (PWS ID: 0360026), Reed Estates Water System (PWS ID: 1010945), and Villa Utilities (PWS ID: 101183). SP Utility filed supplemental information on November 18, 2022.

On January 12, 2023, the administrative law judge (ALJ) filed Order No. 6, directing the Staff (Staff) of the Commission to file a recommendation on final disposition by January 20, 2023. Therefore, this pleading is timely filed.

II. FINAL RECOMMENDATION

Staff has reviewed the application and recommends that the application be approved. As supported by the attached memoranda of Patricia Garcia, Infrastructure Division, and Sandra Hale, Rate Regulation Division, Staff recommends the following:

- 1) The temporary rates are reasonable and should be approved;
- 2) The attached tariff be approved; and
- 3) That an order be entered requiring SP Utility to provide to the Commission the following documentation by the last day of the month following the month in question, for each month until the term as temporary manager for Mr. Williams is completed:
 - a) A summary of monthly revenues and expenses with a detailed list of actual costs for operating the system, including, but not limited to, manager's fees (if any), repairs, chlorine, billing, operator costs, electricity, laboratory fees, sampling costs; billing/postage fees; and legal fees.

- b) Copies of invoices and receipts to support the actual cost of service;
- c) The actual number of connections and actual number of customers at the beginning and at the end of the month; and
- d) A signed statement that a copy of the same information has been provided to the TCEQ.

Further, as supported by the attached memorandum of David Lopez, Rate Regulation Division, Staff recommends that the temporary metered rates in Table two of the memorandum be approved. Alternatively, Staff recommends that the rates in Table 3 of Mr. Lopez's memorandum be approved, provided that SP Utility re-issues notice to its customers.

III. CONCLUSION

Based on the reasons above, Staff respectfully requests an order be filed consistent with the foregoing recommendations.

Dated: January 20, 2023

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Keith Rogas
Division Director

John Harrison
Managing Attorney

/s/ Margaux Fox
Margaux Fox
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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 January 20, 2023, in accordance with the Second Order Suspending Rules, filed in Project No. 50664.

/s/ Margaux Fox
Margaux Fox

Public Utility Commission of Texas

Memorandum

TO: Margaux Fox, Attorney
Legal Division

FROM: Patricia Garcia, Infrastructure Analysis Section Director
Infrastructure Division

DATE: January 12, 2023

RE: Docket No. 54121 – *Application of SP Utility Company Inc. for Temporary Rates for a Nonfunctioning Utility*

Background:

On September 15, 2022, Harrison Williams (Mr. Williams), owner of SP Utility Company, Inc. and temporary manager of Villa Utilities, water Certificate of Convenience and Necessity (CCN) No. 12079, filed with the Public Utility Commission (Commission) a request for a temporary rate increase pursuant to Texas Water Code § 13.046 (TWC) and 16 Tex. Admin. Code § 24.363 (TAC), in Chambers County, Texas.

Analysis

Under 16 Texas Administrative Code (TAC) § 24.363(a), Applicant may charge temporary rates “to recover the reasonable costs incurred for interconnection or other costs incurred in making services available and any other reasonable costs incurred to bring the nonfunctioning system into compliance with commission rules.” The costs included in Applicant’s calculation of rates, which were included in the application filed on September 15, 2022 were primarily estimates. On November 9, 2022 and November 18, 2022, receipts and invoices for actual expenses to operate and maintain the system for approximately 4 months have been submitted. I have primarily used those expenses to verify the reasonableness of the temporary rates.

Mr. Williams provided expenses for approximately 4 months of operation of the utility. I allowed for laboratory fees based on the sampling schedule of Villa Utilities and the costs from the Texas Commission on Environmental Quality’s (TCEQ) website at:

<https://www.tceq.texas.gov/downloads/drinking-water/chemicals/lab-fees.pdf>

Applicant requested a total monthly expense of \$9,785.05 for the temporary rates, including \$1,320 (\$15 per connection) for the temporary manager’s fee and \$900 in billing which is being reviewed by the Rate Regulation Division. I excluded the temporary manager’s fee from my review because the temporary manager’s fee is assigned by order of the Commission and

is listed separately on the temporary rate tariff. I reviewed the expenses requested by Applicant totaling \$8,465.05. Documentation to show the expenses was provided confidentially. Staff's analysis is included in the attached confidential worksheets. The expenses submitted by Mr. Williams are at a level consistent with other similar systems that I have reviewed over the years.

Attached is a tariff for Mr. Williams that reflects the rates recommended by Staff expert David Lopez, Rate Regulation Division. The tariff is based on the pro forma tariff approved by the Commission for many utilities.

Recommendation:

I recommend the following:

- 1) The temporary rates are reasonable.
- 2) Approve the attached tariff.
- 3) Order the Applicant to provide the following documentation monthly by the last day of the month following the month in question, for each month and ending the month that the term as temporary manager for Mr. Williams is completed:
 - a) Summary of monthly revenues and expenses with a detailed list of actual costs for operating the system, such as repairs, chlorine, billing, operator costs, electricity, laboratory fees, sampling costs, etc.;
 - b) Copies of invoices and receipts to support the actual cost of service;
 - c) The actual number of connections at the beginning and at the end of the month; and
 - d) A signed statement that copies of the monthly report will be provided to the TCEQ at the same time it is provided to the PUC.



WATER UTILITY TARIFF Docket Number 54121

Norman Barnett dba Villa Utilities
(Utility Name)

P.O. Box 3104
(Business Address)

Baytown, Texas 77522
(City, State, Zip Code)

0
(Area Code/Telephone)

Temporary Manager Contact Information

Harrison Williams
(Temporary Manager Name)

P.O. Box 690521
(Business Address)

Houston, TX 77269
(City, State, Zip Code)

832-534-8545
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate of Convenience and Necessity:

12079

This tariff is effective in the following county(ies):

Chambers, Harris

This tariff is effective in the following cities or unincorporated towns (if any):

None

This tariff is effective in the following subdivisions or systems:

Vista Utilities – PWS ID: 0360026, Reed Estates Water System – PWS ID: 1010945,
Villa Utilities – PWS ID: 1011183

TABLE OF CONTENTS

The above utility lists the following sections of its tariff (if additional pages are needed for a section, all pages should be numbered consecutively):

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APPENDIX A – DROUGHT CONTINGENCY PLAN
APPENDIX B – APPLICATION FOR SERVICE

SECTION 1.0 -- RATE SCHEDULE**Temporary Rates (Effective August 26, 2022)**

<u>Meter Size</u>	<u>Monthly Minimum Charge</u> (Includes <u>0</u> gallons all meters)	<u>Gallage Charge</u>
5/8"	<u>\$80.27</u>	<u>\$4.00</u> per 1,000 gallons over
1"	<u>\$134.57</u>	
1½"	<u>\$207.69</u>	
2"	<u>\$336.30</u>	

Temporary Manager's Fee to be charged in addition to the "Monthly Minimum Charge" (Effective June 7, 2022)

Temporary Manager's Fee \$15.00 per connection per month

The temporary rates will remain in effect until the Commission orders otherwise.

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X, Check X, Money Order X, Credit Card X, Other (specify) X

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS. AT THE CUSTOMER'S OPTION, ANY BILLING TRANSACTION OR COMMUNICATION MAY BE PERFORMED ON THE INTERNET. THIS INCLUDES THE UTILITY SENDING PAPERLESS BILLS BY EMAIL.

REGULATORY ASSESSMENT 1.0%

PUCT RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL AND TO REMIT FEE TO THE TCEQ.

SECTION 1.0 -- RATE SCHEDULE (CONTINUED)**Section 1.02 – Miscellaneous Fees**

TAP FEE\$300.00

TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" METER PLUS UNIQUE COSTS AS PERMITTED BY PUCT RULE AT COST.

RECONNECTION FEE

THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS:

a) Non-payment of bill (Maximum \$25.00).....\$25.00

b) Customer's request\$35.00

or other reasons listed under Section 2.0 of this tariff

TRANSFER FEE\$35.00

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE\$2.00 or 5%

A ONE-TIME PENALTY MAY BE MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE\$25.00

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50)\$50.00

METER TEST FEE (actual cost of testing the meter up to)\$25.00

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY.

SECTION 2.0 - SERVICE RULES AND REGULATIONS

Section 2.01 - Commission Rules

The utility will have the most current Public Utility Commission of Texas (PUCT or commission) rules relating to Water and Wastewater Utility regulations, available at its office for reference purposes. The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost. The latest Rules or commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.02 - Application for and Provision of Water Service

All applications for service will be made on the utility's standard application or contract form (attached in the Appendix to this tariff), will be signed by the applicant, any required fees (deposits, reconnect, tap, extension fees, etc. as applicable) will be paid and easements, if required, will be granted before service is provided by the utility. A separate application or contract will be made for each service location.

After the applicant has met all the requirements, conditions and regulations for service, the utility will install tap, meter and utility cut-off valve and/or take all necessary actions to initiate service. The utility will serve each qualified applicant for service within 5 working days unless line extensions or new facilities are required. If construction is required to fill the order and if it cannot be completed within 30 days, the utility will provide the applicant with a written explanation of the construction required and an expected date of service.

Where service has previously been provided, service will be reconnected within one working day after the applicant has met the requirements for reconnection.

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers may be required to install a customer owned cut-off valve on the customer's side of the meter or connection.

Section 2.03 - Refusal of Service

The utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the PUCT Rules. In the event that the utility refuses to serve an applicant, the utility will inform the applicant in writing of the basis of its refusal. The utility is also required to inform the applicant that a complaint may be filed with the commission.

Section 2.04 - Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the utility, the applicant may be required to pay a deposit as provided for in Section 1.02 - Miscellaneous Fees of this tariff. The utility will keep records of the deposit and credit interest in accordance with PUCT Rules.

Residential applicants 65 years of age or older may not be required to pay deposits unless the applicant has an outstanding account balance with the utility or another water or sewer utility which accrued within the last two years.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)**Section 2.04 - Fees and Charges & Easements Required Before Service Can Be Connected (Continued)**

Nonresidential applicants who cannot establish credit to the satisfaction of the utility may be required to make a deposit that does not exceed an amount equivalent to one-sixth of the estimated annual billings.

Refund of deposit - If service is not connected, or after disconnection of service, the Utility will promptly refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The Utility may refund the deposit at any time prior to termination of utility service but must refund the deposit plus interest for any residential customer who has paid 18 consecutive billings without being delinquent. Deposits from non-residential customers may be held as long as that customer takes service.

Section 2.05 - Meter Requirements, Readings, and Testing

All water sold by the utility will be billed based on meter measurements. The utility will provide, install, own and maintain meters to measure amounts of water consumed by its customers. One meter is required for each residential, commercial or industrial facility in accordance with the Commission rules.

Service meters will be read at monthly intervals and as nearly as possible on the corresponding day of each monthly meter reading period unless otherwise authorized by the Commission.

Meter tests. The utility will, upon the request of a customer, and, if the customer so desires, in his or her presence or in that of his or her authorized representative, make without charge a test of the accuracy of the customer's meter. If the customer asks to observe the test, the test will be made during the utility's normal working hours at a time convenient to the customer. Whenever possible, the test will be made on the customer's premises, but may, at the utility's discretion, be made at the utility's testing facility. If within a period of two years the customer requests a new test, the utility will make the test, but if the meter is found to be within the accuracy standards established by the American Water Works Association, the utility will charge the customer a fee which reflects the cost to test the meter up to a maximum \$25 for a residential customer. Following the completion of any requested test, the utility will promptly advise the customer of the date of removal of the meter, the date of the test, the result of the test, and who made the test.

Section 2.06 - Billing**(A) Regular Billing**

Bills from the utility will be mailed monthly unless otherwise authorized by the Commission. The due date of bills for utility service will be at least sixteen (16) days from the date of issuance. The postmark on the bill or, if there is no postmark on the bill, the recorded date of mailing by the utility will constitute proof of the date of issuance. Payment for utility service is delinquent if full payment, including late fees and the regulatory assessment, is not received at the utility or the utility's authorized payment agency by 5:00 p.m. on the due date. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next workday after the due date.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)

Section 2.06 - Billing (continued)

(B) Late Fees

A late penalty of either \$2.00 or 5.0% will be charged on bills received after the due date. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The utility must maintain a record of the date of mailing to charge the late penalty.

(C) Information on Bill

Each bill will provide all information required by the PUCT Rules. For each of the systems it operates, the utility will maintain and note on the monthly bill a local or toll-free telephone number (or numbers) to which customers can direct questions about their utility service.

In the event of a dispute between a customer and a utility regarding any bill for utility service, the utility will conduct an investigation and report the results to the customer. If the dispute is not resolved, the utility will inform the customer that a complaint may be filed with the Commission.

Section 2.07 - Service Disconnection

(A) With Notice

Utility service may be disconnected if the bill has not been paid in full by the date listed on the termination notice. The termination date must be at least 10 days after the notice is mailed or hand delivered.

The utility is encouraged to offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement entered into within 26 days from the date of issuance of a bill and if proper notice of termination has been given.

Notice of termination must be a separate mailing or hand delivery in accordance with the PUCT Rules.

B) Without Notice

Utility service may also be disconnected without notice for reasons as described in the PUCT Rules.

Section 2.08 - Reconnection of Service

Utility personnel must be available during normal business hours to accept payments on the day service is disconnected and the following day unless service was disconnected at the customer's request or due to a hazardous condition.

Service will be reconnected within 24 hours after the past due bill, reconnect fees and any other outstanding charges are paid or the conditions which caused service to be disconnected are corrected.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)

Section 2.09 - Service Interruptions

The utility will make all reasonable efforts to prevent interruptions of service. If interruptions occur, the utility will re-establish service within the shortest possible time. Except for momentary interruptions due to automatic equipment operations, the utility will keep a complete record of all interruptions, both emergency and scheduled and will notify the commission in writing of any service interruptions affecting the entire system or any major division of the system lasting more than four hours. The notice will explain the cause of the interruptions.

Prorated Bills

If service is interrupted or seriously impaired for 24 consecutive hours or more, the utility will prorate the monthly base bill in proportion to the time service was not available to reflect this loss of service.

Section 2.10 - Quality of Service

The utility will plan, furnish, and maintain production, treatment, storage, transmission, and distribution facilities of sufficient size and capacity to provide a continuous and adequate supply of water for all reasonable consumer uses. Unless otherwise authorized by the TCEQ, the utility will maintain facilities as described in the TCEQ Rules and Regulations for Public Water Systems.

Section 2.11 - Customer Complaints and Disputes

If a customer or applicant for service lodges a complaint, the utility will promptly make a suitable investigation and advise the complainant of the results. Service will not be disconnected pending completion of the investigation. If the complainant is dissatisfied with the utility's response, the utility must advise the complainant that he has recourse through either the TCEQ or PUCT complaint process, depending on the nature of the complaint. Pending resolution of a complaint, the commission may require continuation or restoration of service.

The utility will maintain a record of all complaints which shows the name and address of the complainant, the date and nature of the complaint and the adjustment or disposition thereof, for a period of two years after the final settlement of the complaint.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS

This section contains specific utility service rules in addition to the rules previously listed under Section 2.0. It must be reviewed and approved by the Commission and in compliance with TCEQ Rules to be effective.

SECTION 3.0--EXTENSION POLICY

Section 3.01 - Standard Extension Requirements

LINE EXTENSION AND CONSTRUCTION CHARGES: No contribution in aid of construction may be required of any customer except as provided for in this approved extension policy.

The customer will be given an itemized statement of the costs, options such as rebates to the customer, sharing of construction costs between the utility and the customer, or sharing of costs between the customer and other applicants prior to beginning construction.

The utility will bear the full cost of any oversizing of water mains necessary to serve other customers in the immediate area. The individual residential customer shall not be charged for any additional production, storage, or treatment facilities. Contributions in aid of construction may not be required of individual residential customers for production, storage, treatment or transmission facilities unless otherwise approved by the Commission under this specific extension policy.

COSTS UTILITIES SHALL BEAR. Within its certified area, the utility will pay the cost of the first 200 feet of any water main or distribution line necessary to extend service to an individual residential customer within a platted subdivision. However, if the residential customer requesting service purchased the property after the developer was notified in writing of the need to provide facilities to the utility, the utility may charge for the first 200 feet. The utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility.

Developers may be required to provide contributions in aid of construction in amounts sufficient to furnish the development with all facilities necessary to provide for reasonable local demand requirements and to comply with TCEQ minimum design criteria for facilities used in the production, transmission, pumping, or treatment of water or TCEQ minimum requirements.

SECTION 3.20—SPECIFIC EXTENSION POLICY

This section contains the utility's specific extension policy which complies with the requirements already stated under Section 2.0. It must be reviewed and approved by the Commission and in compliance with TCEQ Rules to be effective.

Residential customers not covered under Section 3.01 will be charged the equivalent of the costs of extending service to their property from the nearest transmission or distribution line even if that line does not have adequate capacity to serve the customer. However, if the customer places unique, non-standard service demands upon the system, the customer may be charged the full cost of extending service to and throughout their property, including the cost of all necessary transmission and storage facilities necessary to meet the service demands anticipated to be created by that property.

Developers will be required to provide contributions in aid of construction in amounts sufficient to furnish the development with all facilities necessary to provide for reasonable local demand requirements and to comply with TCEQ minimum design criteria for facilities used in the production, transmission, pumping, or treatment of water or TCEQ minimum requirements. For purposes of this subsection, a developer is one who subdivides or requests more than two meters on a piece of property. Commercial, industrial, and wholesale customers will be treated as developers.

APPENDIX A - DROUGHT CONTINGENCY PLAN

(This page incorporates by reference the utility's Drought Contingency Plan, as approved and periodically amended by the Texas Commission on Environmental Quality.)

APPENDIX B -- APPLICATION FOR SERVICE
(Utility Must Attach Blank Copy)