



## **Filing Receipt**

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**Control Number - 54680**

**Item Number - 10**

**TARIFF CONTROL NO. 54680**

<b>APPLICATION OF AQUA TEXAS, INC.</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>FOR 2022 TRUE-UP REPORT AND</b>	<b>§</b>	
<b>PASS-THROUGH GALLONAGE</b>	<b>§</b>	<b>OF TEXAS</b>
<b>CHARGE FOR ITS SOUTHWEST</b>	<b>§</b>	
<b>REGION</b>	<b>§</b>	

**NOTICE OF APPROVAL**

This Notice of Approval addresses the application of Aqua Texas, Inc. providing its 2022 true-up report in compliance with its Southwest Region tariff and requesting approval for a regional pass-through gallonage rate decrease affecting its Southwest Region and one public water system within its Southeast Region. The Commission approves Aqua Texas's annual true-up report for calendar year 2022. Additionally, the Commission approves a regional pass-through gallonage rate of \$1.3932 per 1,000 gallons for its Southwest Region and its Brentwood subdivision water system, effective March 1, 2023.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicant**

1. Aqua Texas is a Texas corporation registered with the Texas secretary of state under filing number 800304878.
2. Aqua Texas owns and operates for compensation in Texas equipment or facilities for the transmission, storage, distribution, sale, or provision of potable water to the public under certificate of convenience and necessity (CCN) number 13254 in its geographic south operating region (Southwest Region), which includes certificated service areas in Bandera, Bexar, Blanco, Burnet, Comal, Gillespie, Hays, Kendall, Kerr, Kimble, Live Oak, Llano, Medina, Nueces, Travis, Williamson, and Wilson counties.
3. Aqua Texas provides water service to subdivisions in its Southwest Region through public water systems registered with the Texas Commission on Environmental Quality (TCEQ) under the following identification numbers: 0100030, 0100047, 0100052, 0100053, 0100065, 0150431, 0460185, 1050029, 1050037, 1050039, 1050043, 1050058,

1050077, 1050080, 1050082, 1050100, 1050134, 1300032, 1300034, 1300036, 1300041, 1330010, 1330036, 1330091, 1330097, 1330101, 1330107, 1330111, 1330113, 1330118, 1330124, 1330126, 1330127, 1330139, 1330147, 1330154, 1330155, 1330156, 1490017, 1630026, 1630040, 1780019, 2270041, 2270043, 2270054, 2270059, 2270114, 2270173, 2270212, 2270282, 2270327, 2270342, 2270354, 2460026, 2460064, 2470022, 0270134, 0270141, 0460022, 0860005, 0860086, 0860098, 0860100, 1050068, 1050111, 1330009, 1330028, 1330041, 1330062, 2270210, 2460046, 0460063, 0460060, 0860106, 1340019, 1630045, 2270190, and 2460050.<sup>1</sup>

4. Aqua Texas owns and operates for compensation in Texas equipment or facilities for the transmission, storage, distribution, sale, or provision of potable water to the public under CCN number 13203 in its geographic south operating region (Southeast Region), which includes certificated service areas in Brazoria, Chambers, Fort Bend, Grimes, Harris, Jefferson, Liberty, Matagorda, Montgomery, Polk, San Jacinto, Trinity, Victoria, and Wharton counties.
5. Aqua Texas provides water service to subdivisions in its Southeast Region through public water systems registered with the TCEQ, including the Brentwood subdivision, through the public water system identification number 2350005.

#### **Application**

6. On February 23, 2023, Aqua Texas filed an application providing its 2022 true-up report in compliance with its Southwest Region tariff and requesting approval of a regional pass-through gallonage rate decrease affecting its Southwest Region and one public water system in Aqua Texas's Southeast Region that remains subject to rates equivalent to Aqua Texas's Southwest Region, the Brentwood subdivision water system.
7. Aqua Texas's regional pass-through gallonage rate decrease affects its Southwest Region and one public water system in Aqua Texas's Southeast Region that remains subject to rates equivalent to Aqua Texas's Southwest Region, the Brentwood subdivision water system.

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<sup>1</sup> See Application at 12–26 (listing the names of the public water systems, their corresponding TCEQ identification number, and list of subdivisions served by each public water system).

8. In its application, Aqua Texas seeks approval of a decrease of its regional pass-through gallonage rate based on the overall fees it pays to the 15 entities listed in its application.<sup>2</sup> Specifically, Aqua Texas requested a regional pass-through gallonage rate decrease for customers subject to its Southwest Region regional pass-through gallonage charge, including customers served by the Brentwood subdivision water system, from \$1.4977 to \$1.3932 per 1,000 gallons, effective March 1, 2023.
9. On February 27 and March 21, 2023, Aqua Texas supplemented the application.
10. The application, as supplemented, contained the affected CCN numbers, the affected subdivisions, the affected public water systems' names and corresponding numbers issued by the TCEQ, a copy of the notice to the customers, documentation supporting the stated amounts of any new or modified pass-through costs, all calculations and assumptions for any true-up of pass-through costs, the calculations and assumptions used to determine the new rates, and a copy of the pages of the utility's tariffs that contain the rates that will change if the utility's application is approved.
11. In Order No. 2 filed on March 28, 2023, the administrative law judge (ALJ) found the application, as supplemented, administratively complete.

#### **Notice**

12. On February 27, 2023, Aqua Texas mailed notice to all affected customers, detailing the proposed regional pass-through gallonage rate decrease, effective March 1, 2023.
13. The notice contained the effective date of the change, the present calculation of customer billings, the new calculation of customer billings, the change in charges, and the following language: "This tariff change is being implemented in accordance with the minor tariff changes allowed by 16 Texas Administrative Code § 24.25. The cost to you as a result of this change will not exceed the costs charged to your utility."
14. In Order No. 2 filed on March 28, 2023, the ALJ found the notice sufficient.

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<sup>2</sup> See Application at 3 (listing the names of the entities and their respective purchase water or groundwater conservation district charges Aqua Texas seeks to pass through to customers).

**Evidentiary Record**

15. In Order No. 3 filed on July 31, 2023, the ALJ admitted the following evidence into the record of this proceeding:
- a. Aqua Texas's application for a 2022 true-up report and pass-through gallonage charge for its Southwest Region and all attachments filed on February 23, 2023;
  - b. Aqua Texas's first supplement to the application filed on February 27, 2023;
  - c. Aqua Texas's second supplement to the application filed on March 21, 2023;
  - d. Commission Staff's recommendation on sufficiency, notice, and procedural schedule filed on March 27, 2023; and
  - e. Commission Staff's final recommendation filed on May 30, 2023.

**Eligibility for Pass-Through Rate Change**

16. The proposed rate will pass through only the actual costs charged to Aqua Texas by its suppliers and does not duplicate costs otherwise charged to customers under the current tariff.
17. Aqua Texas provided a true-up report reflecting the amounts billed to Aqua Texas's customers in 2022 compared with amounts paid to suppliers, as required under the current tariff. The true-up report was filed within one month of the end of the true-up period.

**Tariffs and Corrections to the Pass-Through Formula**

18. The tariff for Aqua Texas's Southwest Region in effect when the application was filed was approved by the Commission on November 2, 2022, in Tariff Control No. 53263.<sup>3</sup> A new Southwest Region water utility tariff with this same pass-through formula was subsequently approved to reflect interim system improvement charge rates in Docket No. 53428.<sup>4</sup> Aqua Texas applied the approved pass-through formula from Docket No. 53428 in determining the new regional pass-through gallonage rate for its Southwest Region.

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<sup>3</sup> *Application of Aqua Texas, Inc. for 2021 True-Up Report and Pass-Through Gallonage Charge for its Southwest Region*, Tariff Control No. 53263, Corrected Notice of Approval (Nov. 2, 2022).

<sup>4</sup> *Application of Aqua Texas, Inc. for System Improvement Charges*, SOAH Docket No. 473-23-04521; Docket No. 53428, SOAH Order No. 8, Setting Interim Rates (Mar. 28, 2023), Joint Notice of Stipulation and Agreed Motion to Set Interim Rates (Mar. 28, 2023) and Unanimous Stipulation and Settlement Agreement (Mar. 28, 2023).

19. The tariff for Aqua Texas's Southeast Region in effect when the application was filed, which includes the Brentwood subdivision water system, was approved by the Commission on November 2, 2022, in Tariff Control No. 53263. A new Southeast Region water utility tariff with this same pass-through formula was subsequently approved to reflect interim system improvement charge rates in Docket No. 53428. Aqua Texas applied the approved pass-through formula from Docket No. 53428 to Aqua's Southwest Region tariff in determining the new regional pass-through gallonage rate for the Brentwood subdivision water system.
20. Aqua Texas provided a true-up report reflecting the amounts billed in the previous year compared with amounts paid to water districts having jurisdiction over Aqua Texas.
21. Aqua Texas's Southwest Region tariff prescribes the formula by which the regional pass-through gallonage rate is to be calculated and applied to customers of applicable public water systems, including the Brentwood subdivision water system. The formula takes into account the projected sum for the upcoming 12 months for purchased water and district costs, the actual collections by Aqua Texas in the previous 12 months from the previously-approved regional pass-through gallonage rate, the year-end meter equivalents, and the average annual usage per meter equivalent, in 1,000 gallon units, from Aqua Texas's most recent base-rate case.
22. On May 30, 2023, Commission Staff filed proposed tariffs for Aqua Texas's Southwest and Southeast Regions in response to Order No. 2. The proposed tariff for Aqua Texas's Southwest Region contains Aqua Texas's requested regional pass-through gallonage rate and the formula change as agreed to by Aqua Texas and Commission Staff, effective for Aqua Texas's 2023 true-up report. The proposed tariff for Aqua Texas's Southeast Region contains Aqua Texas's regional pass-through gallonage rate and incorporates appendix C from Aqua Texas's Southwest Region tariff, as revised.

**Informal Disposition**

23. More than 15 days have passed since the completion of notice provided in this docket.
24. No person filed a protest or motion to intervene.
25. Aqua Texas and Commission Staff are the only parties to this proceeding.

26. No party requested a hearing and no hearing is needed.
27. Commission Staff recommended approval of the application, as supplemented.
28. This decision is not adverse to any party.

## **II. Conclusions of Law**

The Commission makes the following conclusions of law.

1. The Commission has authority over the application under Texas Water Code (TWC) § 13.041.
2. Aqua Texas is a utility as defined in TWC § 13.002(23) and 16 Texas Administrative Code (TAC) § 24.3(38).
3. The Commission may approve the minor changes to Aqua Texas's water tariff under 16 TAC § 24.25(b)(2)(A)(vii).
4. The application meets the requirements set forth in 16 TAC § 24.25.
5. Notice of the application was provided in compliance with 16 TAC § 24.25(b)(2)(F)(ii).
6. The Commission processed the application as required by the TWC, the Administrative Procedure Act,<sup>5</sup> and Commission rules.
7. The requirements for informal disposition in 16 TAC § 22.35 have been met in this proceeding.

## **III. Ordering Paragraphs**

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The Commission approves Aqua Texas's annual true-up report for calendar year 2022.
2. The Commission approves a regional pass-through gallonage rate of \$1.3932 per 1,000 gallons for Aqua Texas's Southwest Region water systems and for its Southeast Region Brentwood subdivision water system, effective March 1, 2023.

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<sup>5</sup> Tex. Gov't Code §§ 2001.001–.903.

3. The Commission approves the Southwest Region and Southeast Region tariffs attached to Commission Staff's final recommendation filed on May 30, 2023.
4. Within ten days of the date this Notice of Approval is filed, Commission Staff must provide the Commission with clean copies of Aqua Texas's Southwest Region and Southeast Region tariffs to be stamped *Approved* and retained by Central Records.
5. If Aqua Texas collects an amount as a result of this pass-through rate decrease that is higher than the purchased water costs incurred, Aqua Texas must refund any amounts collected in excess of the purchased water costs.
6. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

**Signed at Austin, Texas the 1st day of August 2023.**

**PUBLIC UTILITY COMMISSION OF TEXAS**



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**CHRISTINA DENMARK**  
**ADMINISTRATIVE LAW JUDGE**