



## **Filing Receipt**

**Filing Date - 2024-05-31 04:46:24 PM**

**Control Number - 54683**

**Item Number - 100**

**SOAH DOCKET NO. 473-24-00831 WS**  
**PUC DOCKET NO. 54683**

<b>APPLICATION OF ENVIRO-</b>	<b>§</b>	<b>BEFORE THE STATE OFFICE</b>
<b>MANAGEMENT FOR AUTHORITY TO</b>	<b>§</b>	<b>OF</b>
<b>CHANGE RATES</b>	<b>§</b>	<b>ADMINISTRATIVE HEARINGS</b>

**COMMISSION STAFF'S MEMORANDUM IN SUPPORT OF STIPUALTION AND  
SETTLEMENT AGREEMENT**

On February 24, 2023, Enviro-Management filed an application for authority to change water rates under Texas Water Code §§ 13.1871 and 13.1872(c)(2). Enviro-Management is a Class D water utility with 110 active connections and holds Certificate of Convenience and Necessity No. 12625.

On March 17, 2024, Enviro-Management, Staff, John Franklin, and Rhonda Bynum participated in a State Office of Administrative Hearings mediation where parties reached a settlement that resolved all of the issues in this proceeding. Upon their request, John Franklin and Rhona Bynum were subsequently removed as intervenors. The remaining participating parties—Enviro-Management and Staff (Signatories)—then memorialized the agreement reached during mediation and executed the Stipulation and Settlement Agreement (Agreement).

Staff now files the attached memorandum from James Onyeneke of the Rate Regulation Division and Gayatri Bitracanti of the Infrastructure Division in support of the Signatories' Agreement.

Dated: May 31, 2024

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

Marisa Lopez Wagley  
Division Director

/s/ Ian Groetsch  
Ian Groetsch  
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**CERTIFICATE OF SERVICE**

I certify that unless otherwise ordered by the presiding officer, notice of the filing of this document will be provided to all parties of record via electronic mail on May 31, 2024 in accordance with the Second Order Suspending Rules, issued in Project No. 50664.

/s/ Ian Groetsch  
Ian Groetsch

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Ian Groetsch, Attorney  
Legal Division

**FROM:** James Onyeneke, Regulatory Accountant  
Rate Regulation Division  
Gayatri Bitracanti, Engineering Specialist  
Infrastructure Division

**DATE:** May 31, 2024

**SUBJECT:** Docket No. 54683 – *Application of Enviro-Management for Authority to Change Rates*

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### **SUMMARY AND RECOMMENDATION**

On February 24, 2023, Enviro-Management filed an application for authority to change water rates under Texas Water Code §§ 13.1871 and 13.1872(c)(2). Enviro-Management is a Class D water utility that holds Certificate of Convenience and Necessity No. 12625.

In its Application, Enviro-Management requested the following plant related components and revenue requirement components.

**Table GB-1 (Plant In Service Component<sup>1</sup>)**

<b>Original Cost of Plant</b>	<b>Annual Depreciation</b>	<b>Accumulated Depreciation</b>	<b>Net Plant</b>
\$132,474	\$7,967	\$65,506	\$41,968

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<sup>1</sup> Application at Schedule III-3 Plant In Service.

**Table JO-1 (Enviro-Management's Requested Revenue Requirement)**

<b>Description</b>	<b>Revenue Requirement<sup>2</sup></b>
Operating Expenses	\$ 116,247
Depreciation	\$ 7,967
Taxes Other than Income Taxes	\$ 6,772
Federal Income Tax	\$ 70
Return on Invested Capital	\$ 5,524
Sub Total	\$ 136,580
Less Other Revenues: Taps, Recons, Late fees etc.	(\$5,960)
<b>Total Revenue Requirement</b>	<b>\$ 130,620</b>

On May 31, 2024, Enviro-Management and Staff (Staff) of the Public Utility Commission of Texas (Commission), (collectively, the Signatories) filed the Stipulation and Settlement Agreement (the Stipulation), which resolves all contested issues in this proceeding. The Signatories agreed to certain adjustments to plant in service and the overall revenue requirement. The Stipulation resulted in the finalized plant in service component below and provides for an unspecified reduction to Enviro-Management's requested water revenue requirement as follows:

**Table GB-2 (Plant In Service Component<sup>3</sup>)**

<b>Original Cost of Plant</b>	<b>Annual Depreciation</b>	<b>Accumulated Depreciation</b>	<b>Net Plant</b>
\$108,291	\$7,471	\$65,666	\$42,625

	<b>As Filed</b>	<b>Stipulated Adj.</b>	<b>Stipulated Rev. Req.</b>
Water Rev. Req.	\$130,620	(\$4,150)	\$126,470

Gayatri Bitracanti reviewed the invested capital, depreciation, and operation and maintenance components of Enviro-Management's Application and James Onyeneke reviewed the accounting aspects of Enviro-Management's Application, including its federal income tax and other taxes. Staff believes that the terms of the Stipulation are in the public interest. Other members of Staff who reviewed the Application and other filings on the record for Enviro-Management's requested rate of return and, rate design also support adoption of the Stipulation based on their reviews.

The terms of the Stipulation include the following components:

- a. **Rate of Return.** The Signatories agree that the agreed upon revenue requirement amounts are reasonable and incorporate an after-tax overall rate of return of 6.76%.

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<sup>2</sup> Application at Schedule I-1 Rev Requirement.

<sup>3</sup> Stipulation and Settlement Agreement (Mar. 18, 2024).

- b.    **Cost of Debt.** The Signatories agree that the agreed upon revenue requirement amount incorporate a cost of debt of 5.03%.
- c.    **Return on Equity.** The Signatories agree that the agreed upon revenue requirement amounts incorporate a return on equity of 8.5%.
- d.    **Capital Structure.** The Signatories agree that the agreed upon revenue requirement amounts incorporate a capital structure of 50% cost of debt and 50% return on equity.
- e.    **Monthly Flat Rate.** The Signatories agree that the agreed upon monthly flat rate is reasonable and will be \$51.54.
- f.    **Volumetric Rate.** The Signatories agree that the agreed upon monthly volumetric charge is reasonable and will be \$6.05 per 1,000 gallons.
- g.    **Rate Case Expenses.** The Signatories agree that the agreed upon rate case expense total is \$368.29 to be recovered over 6 months at a rate of \$0.45 per month.
- h.    **Rhonda Bynum Meter.** Enviro-Management agrees to replace the meter at Rhonda Bynum's home at no cost to Ms. Bynum.
- i.    **John Franklin Water Isolation Valve.** Enviro-Management agrees that it will call John Franklin before accessing the water isolation valve located on Mr. Franklin's property.

It is Staff's opinion that the implementation of the terms in the Stipulation will result in a fair and reasonable outcome for the affected stakeholders in terms of the water revenue requirement. Based on Staff's review, the Stipulation contains a water revenue requirement that lies within a reasonable range given Enviro-Management's request and Staff's positions, and a fully litigated docket might produce a less favorable outcome for ratepayers and other stakeholders. Approval of the Stipulation conserves limited resources compared to litigation of this docket and achieves an acceptable resolution of the issues in this case as a result of negotiations among the Signatories. In Staff's opinion, the Stipulation is in the public interest, and Staff recommends that the Commission adopt it in its entirety.