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Commissioner




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Governor

Connie Corona
Interim Executive Director

Public Utility Commission of Texas

TO: Shelah Cisneros
Commission Counsel

All Parties of Record

FROM: Christina Denmark 
Administrative Law Judge

RE: **PUC Docket No. 54940**
SOAH Docket No. 473-24-04314.WS – *Application of Integra Water Texas, LLC*
for Authority to Change Rates

DATE: April 25, 2024

Enclosed is the Proposed Order in the above-referenced case. By copy of this memo, the parties to this proceeding are being served with the Proposed Order.

Please place this docket on an open meeting agenda for the Commissioners' consideration. Please notify me and the parties of the open meeting date. The parties must file corrections or exceptions to the Proposed Order by May 9, 2024.

If a party proposes a correction or exception, the party must fully explain the correction or exception and must provide a citation to the record to support the correction or exception.

If there are no corrections or exceptions, no response is necessary.

/s/w
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PUC DOCKET NO. 54940
SOAH DOCKET NO. 473-24-04314.WS

APPLICATION OF INTEGRA WATER	§	PUBLIC UTILITY COMMISSION
TEXAS, LLC FOR AUTHORITY TO	§	
CHANGE RATES	§	OF TEXAS

PROPOSED ORDER

This Order addresses the application of Integra Water Texas, LLC for authority to change its sewer rate and associated tariff. Integra, Commission Staff, and the Office of Public Utility Counsel (OPUC) filed a stipulation and agreement, including an agreed tariff that would approve Integra's request for an increase to its flat monthly rate for sewer service from \$49.50 to \$72.15. The Commission approves the agreed rate and associated tariff attached to the agreement as exhibit B to the extent provided in this Order.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. Integra is a Texas limited liability company registered with the Texas secretary of state under filing number 803313794.
2. Integra owns and operates for compensation facilities and equipment for the collection, transportation, treatment, or disposal of sewage for the public in Bastrop County.
3. Integra provides sewer service for compensation to approximately 258 connections under certificate of convenience and necessity number 21126.
4. Integra's sewer rate was set when it began providing sewer service.¹

Application

5. On May 1, 2023, Integra filed an application for authority to change its sewer rate and associated tariff for its service area in Bastrop County.

¹ *Application of Integra Water Texas, LLC for a Sewer Certificate of Convenience and Necessity in Bastrop County*, Docket No. 51683, Notice of Approval (Oct. 8, 2021).

6. On June 20, 2023, Integra filed a supplement to the application.
7. The application, as supplemented, is based on an historic test year that ended on December 31, 2022.
8. In the application, Integra requested to change its monthly flat rate but does not seek changes to its miscellaneous fixed fees.
9. In Order No. 5 filed on July 12, 2023, the Commission administrative law judge (ALJ) found the application, as supplemented, administratively complete.

Notice of the Application

10. On or about May 1, 2023, Integra provided notice of its application by mail to each affected customer, each affected municipality, OPUC, and any other affected party.
11. Integra's application included the affidavit of John McDonald, manager of Integra, attesting that notice of the proposed rate change was provided by United States mail to each affected customer, each affected municipality, OPUC, and any other affected party on or about May 1, 2023. Integra's application included a representative copy of the notice that was provided.
12. In Order No. 5 filed on July 12, 2023, the Commission ALJ found Integra's notice sufficient.

Interventions and Protests

13. Less than 10% of the ratepayers affected by the proposed rate increase filed protests in this docket.
14. In Order No. 2 filed on May 18, 2023, the Commission ALJ granted OPUC's motion to intervene.
15. In Order No. 4 filed on June 22, 2023, the Commission ALJ granted the motions to intervene of Keila Cruz and Emma Delao.
16. In State Office of Administrative Hearings (SOAH) Order No. 7 filed on March 18, 2024, the SOAH ALJ dismissed Ms. Cruz and Ms. Delao for failing to file a statement of position.

Referral to SOAH

17. On November 1, 2023, the Commission referred the proceeding to SOAH.
18. On November 3, 2023, the Commission filed a preliminary order.
19. In SOAH Order No. 1 filed on November 8, 2023, the SOAH ALJ directed Integra to provide notice of the prehearing conference scheduled for December 5, 2023, to each affected municipality and county and to each ratepayer at least 20 days before the prehearing conference.
20. On November 21, 2023, Integra filed the affidavit of Mr. McDonald attesting that notice of the prehearing conference was provided by United States mail to the governing body of each affected municipality and county, and by United States Mail or electronic mail to each ratepayer on or about November 15, 2023.
21. In SOAH Order No. 2 filed on December 11, 2023, the SOAH ALJ memorialized the prehearing conference and established a hearing date of May 28, 2024.
22. In SOAH Order No. 4 filed on January 11, 2024, the SOAH ALJ abated the proceeding.
23. On March 7, 2024, Integra, Commission Staff, and OPUC (the signatories) filed an agreement between themselves (the agreement).
24. In SOAH Order No. 7 filed on March 18, 2024, the SOAH ALJ dismissed the proceeding from SOAH's docket and remanded the case to the Commission.

Testimony

25. On March 7, 2024, Integra filed the testimony of Chris Ekrut in support of the agreement.
26. On March 13, 2024, Commission Staff filed the memorandum of Jennifer Mayfield and Joseph Cooper in support of the agreement.

Evidentiary Record

27. In SOAH Order No. 7 filed on March 18, 2024, the SOAH ALJ admitted the following evidence into the record:
 - a. Integra's application filed on May 1, 2023;

- b. Integra's response to Order No. 3 and supplement to application, with confidential attachment, filed on June 20, 2023;
- c. Commission Staff's supplemental recommendation on administrative completeness and notice, motion to suspend proposed rates, and proposed procedural schedule filed on July 11, 2023;
- d. Integra's response to Commission Staff's first request for information (RFI) filed on September 14, 2023;
- e. Integra's response to Commission Staff's second RFI filed on October 3, 2023;
- f. Integra's response to Commission Staff's third RFI filed on October 30, 2023;
- g. Integra's response to OPUC's first RFI filed on November 21, 2023;
- h. Executed affidavit regarding prehearing conference filed on November 21, 2023;
- i. Confidential attachment OPUC 1-2 and confidential attachment OPUC 1-3 filed on November 21, 2023;
- j. Integra's supplemental response to OPUC's RFI 1-4 filed on December 20, 2023;
- k. Integra's response to OPUC's second RFI with attachment OPUC 2-5 filed on December 20, 2023;
- l. Integra's response to Commission Staff's fourth RFI, including confidential attachment 4-1, filed on December 21, 2023;
- m. Integra's supplemental response to Commission Staff's fourth RFI, including confidential attachments, filed on December 28, 2023;
- n. Integra's response to OPUC's third RFI filed on January 8, 2024;
- o. The agreement, including exhibits A through D, filed on March 7, 2024;
- p. Testimony of Chris Ekrut in support of the agreement filed on March 7, 2024; and
- q. Memorandum from Jennifer Mayfield and Joseph Cooper in support of the agreement filed on March 13, 2024.

Revenue Requirement and Rate of Return

28. In its application, Integra requested a rate of return of 6.55% applied to a rate base of \$172,008.
29. In its application, Integra requested an annual revenue requirement of \$321,236, which represents a 64.50% increase, consisting of the following amounts:

Operating Expenses	\$267,983
Depreciation	\$37,207
Taxes Other Than Income	\$3,459
Federal Income Tax	\$1,943
Return on Rate Base	\$11,267
Other Revenues	(\$622)
Total Revenue Requirement	\$321,236

30. In its application, Integra requested a total original cost of plant in service of \$1,616,109, accumulated depreciation of \$46,451, and net plant in service of \$1,569,658.
31. The signatories agreed to capitalize certain operations and maintenance expenses as specified in exhibit D to the agreement, which increased the total original plant in service by \$81,992, to a total of \$1,698,101 for total cost of plant in service.
32. The signatories agreed to an accumulated depreciation balance of \$78,252 producing a total net plant of \$1,619,849 and total invested capital (rate base) of \$202,197.
33. Integra requested, and the signatories agreed to, an overall rate of return of 6.55%.
34. The signatories agreed that Integra will have a ratio of 50% debt to 50% equity for Integra's capital structure, and for Integra to have a 4.60% cost of debt and an 8.50% return on equity. These ratios and percentages result in an overall rate of return of 6.55%.
35. The signatories agreed that Integra's actual total revenue requirement is \$223,376.
36. The agreement's treatment of Integra's revenue requirement is appropriate.

Agreed Rate

37. In its application, Integra requested an increase to its monthly flat rate for sewer service from \$49.50 to \$89.23.
38. The signatories agreed that Integra should increase its monthly flat rate for sewer service to a rate of \$72.15, as shown in the tariff filed as exhibit B to the agreement.
39. The agreed monthly flat rate is just and reasonable.

Affiliate Expenses

40. During the test year ending December 31, 2022, Integra made payments to Integra Water, LLC, Integra's parent company, for support services including accounting and financial services, operations services, and customer service.
41. Costs charged to Integra by Integra Water, LLC are allocated to Integra at cost without any associated margin or mark-up.
42. Direct costs are assigned to Integra at cost.
43. Indirect costs are allocated to Integra using a residential equivalent unit method calculated by using year-end customer totals for each of Integra's subsidiaries or affiliated companies for the year immediately preceding the test year.
44. In the agreement, the signatories agreed that payments from Integra to Integra Water, LLC were reasonable and necessary, in accordance with Texas Water Code (TWC) § 13.185(e).
45. In the agreement, the signatories agreed that the prices charged to Integra by Integra Water, LLC affecting the cost of service are no higher than prices charged by Integra Water, LLC to its other affiliates or unaffiliated entities for the same item or items.

Rate Base

46. The signatories agreed that the components of Integra's invested capital in rate base as of December 31, 2022, as set forth in exhibit C to the agreement, are reasonable and necessary.
47. The signatories agreed that Integra's net rate base, excluding developer contributed capital, is \$202,197 as of December 31, 2022.

48. The agreed net rate base is appropriate.

Agreed Tariff Provisions

49. The signatories agreed on the tariff provisions set forth in exhibit B to the agreement.

50. The terms and conditions of the agreed tariff are just and reasonable.

Legal Expense Surcharge

51. The signatories agreed that Integra may recover \$18,054 from its customers for legal fees unrelated to this docket through a legal expense surcharge in the amount of \$2.92 per connection for a two-year period or until the full amount is collected, whichever occurs first.

52. The legal fees are related to corporate functions and Docket Nos. 51683² and 55787.³

53. The agreement's treatment of legal fees is appropriate.

Rate-Case Expenses

54. The signatories agreed that Integra will not recover any rate-case expenses incurred in connection with this docket.

55. The signatories agreed that in a future proceeding, Integra may not seek to recover any rate-case expenses incurred in connection with this docket.

56. The agreement's treatment of rate-case expenses is appropriate.

Interim Rate and Effective Date

57. In its application, Integra requested June 19, 2023 as the effective date of the proposed rate increase.

58. In Order No. 5 filed on July 12, 2023, the Commission ALJ suspended the effective date of the proposed rate through the pendency of this proceeding or until an interim rate is requested and approved.

² *Application of Integra Water Texas, LLC for a Sewer Certificate of Convenience and Necessity in Bastrop County*, Docket No. 51683, Notice of Approval (Oct. 8, 2021).

³ *Application of Integra Water Texas, LLC and IW Texas, Corp for Sale, Transfer, or Merger of Facilities and Certificate Rights in Bastrop County*, Docket No. 55787, Order No. 4 Granting Withdrawal, Dismissing Application, and Closing Docket (Mar. 1, 2024).

59. In SOAH Order No. 2 filed on December 11, 2023, the SOAH ALJ established November 1, 2023, as the effective date of the proposed rate increase.
60. In SOAH Order No. 3 filed on December 20, 2023, the SOAH ALJ clarified SOAH Order No. 2 and established November 1, 2024, as the effective date of the proposed rate increase.
61. In the agreement, the signatories agreed that the effective date will be the date the Commission issues its final order setting Integra's rate in this docket.
62. On March 7, 2024, Integra, Commission Staff, and OPUC filed a joint motion for Integra to implement an interim rate, effective March 15, 2024.
63. In SOAH Order No. 6 filed on March 8, 2024, the SOAH ALJ authorized Integra to charge, as an interim rate, effective March 15, 2024, the sewer rate specified in the tariff attached as exhibit A to the joint motion for an interim rate.
64. The rate approved in this Order is identical to the interim rate approved in SOAH Order No. 6.

Informal Disposition

65. More than 15 days have passed since completion of the notice provided in this docket.
66. The only remaining parties to this proceeding are Integra, OPUC, and Commission Staff.
67. All parties signed the agreement.
68. No hearing is necessary.
69. 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 Integra's application to change rates under TWC §§ 13.041, 13.181, 13.1871, and 13.1872(c).
2. Integra is a utility, public utility, and sewer utility as those terms are defined in TWC § 13.002(23) and 16 Texas Administrative Code (TAC) § 24.3(38).
3. Integra is a retail public utility as defined in TWC § 13.002(19) and 16 TAC § 24.3(31).

4. Integra is a class D utility as defined in TWC § 13.002(4-d) and 16 TAC § 24.3(8).
5. Integra provided notice of the application in accordance with the requirements of TWC § 13.1871 and 16 TAC § 24.27(d)(1).
6. The Commission processed this docket in accordance with the requirements of the TWC, the Administrative Procedure Act,⁴ and Commission rules.
7. Integra met its burden of proof under TWC § 13.184(c) and 16 TAC § 24.12 to show that the rate approved by this Order is just and reasonable.
8. The rate approved by this Order is just and reasonable as required by TWC § 13.182(a).
9. In accordance with TWC § 13.182(b), the rate approved by this Order is not unreasonably preferential, prejudicial, or discriminatory and is sufficient, equitable and consistent in application to each class of customers.
10. Integra's operating expenses are reasonable and necessary under 16 TAC § 24.41(b).
11. In accordance with TWC § 13.183(a), the rate approved by this Order will preserve the financial integrity of Integra and will permit Integra a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses.
12. The affiliate costs included in the rate approved by this Order comply with the requirements of TWC § 13.185(e) and 16 TAC § 24.41(b).
13. As required by TWC § 13.185(h), the rate approved by this Order does not include legislative advocacy expenses, the costs of processing a refund or credit, or any expenditure that is unreasonable, unnecessary, or not in the public interest.
14. Integra's rate will not yield more than a fair return on invested capital used and useful in rendering service to the public in accordance with TWC § 13.184(a) and 16 TAC § 24.41(c)(1).

⁴ Administrative Procedure Act, Tex. Gov't Code §§ 2001.001–.902.

15. In accordance with TWC § 13.185 and 16 TAC § 24.41(c)(2)(B), the rate approved by this Order is based on original cost, less depreciation, of property used and useful in Integra's provision of service.
16. The rate approved by this Order complies with 16 TAC § 24.43(b)(1) regarding conservation.
17. The legal expenses approved in this Order are just and reasonable as required under TWC § 13.182.
18. It is not necessary for Integra to implement a refund, credit, or surcharge to return or collect amounts recovered under the interim rate effective March 15, 2024, under 16 TAC § 24.37.
19. 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 Integra's sewer rate and associated tariff to the extent provided in this Order.
2. The Commission approves the rate, terms, and conditions included in the sewer tariff filed by the signatories on March 7, 2024, effective the date this Order is signed.
3. The Commission authorizes Integra to collect legal fees unrelated to this docket in the amount of \$18,054 through a monthly surcharge of \$2.92 per connection until the full amount of legal fees is collected.
4. Integra may not recover any rate-case expenses incurred in connection with this docket in this proceeding.
5. Integra may not seek to recover any additional rate-case expenses incurred in connection with this docket in a future proceeding.
6. Integra must comply with its commitments set forth in the agreement and incorporated in this Order.

7. Integra must file reports documenting the calculation and collection of the surcharge for legal fees. The reports must be made in a separate docket, *Compliance Filing for Docket No. 54940 (Application of Integra Water Texas, LLC for Authority to Change Rates)*, Docket No. 56546. The presiding officer in Docket No. 56546 must establish a schedule by which reports must be filed.
8. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement and must not be regarded as precedential as to the appropriateness of any principle or methodology underlying the agreement.
9. Within ten days of the date this Order is filed, Commission Staff must provide the Commission with a clean copy of Integra's sewer tariff to be stamped *Approved* and retained by Central Records.
10. The Commission denies all other motions and any other requests for general or specific relief that are not expressly granted.

Signed at Austin, Texas the _____ day of _____ 2024.

PUBLIC UTILITY COMMISSION OF TEXAS

THOMAS J. GLEESON, CHAIRMAN

LORI COBOS, COMMISSIONER

JIMMY GLOTFELTY, COMMISSIONER

KATHLEEN JACKSON, COMMISSIONER