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TARIFF CONTROL NO. 55047

**APPLICATION OF UNDINE TEXAS, § PUBLIC UTILITY COMMISSION
LLC FOR A PASS-THROUGH RATE §
CHANGE § OF TEXAS**

NOTICE OF APPROVAL

This Notice of Approval addresses Undine Texas, LLC's application for approval of pass-through rate changes due to a change in the groundwater reduction plan pumpage fee charged by the San Jacinto River Authority (SJRA). The Commission approves the pass-through rate changes for Undine's customers in the Porter Terrace, Spring Forest, Hazy Hollow East Estates, and River Club Water Company subdivisions, effective June 1, 2023.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. Undine is a Delaware limited liability corporation registered with the Texas secretary of state under filing number 802339329.
2. Undine holds certificate of convenience and necessity (CCN) number 13260 that obligates Undine to provide retail water service in its certificated service areas Brazoria, Harris, and Montgomery counties, among others.
3. Undine owns and operates the following public water systems:
 - (a) the Porter Terrace public water system, which is registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 1700161 and serves customers in the Porter Terrace subdivision;
 - (b) the Spring Forest Subdivision public water system, which is registered with the TCEQ under identification number 1700033 and serves customers in the Spring Forest subdivision;
 - (c) the Hazy Hollow East Estates public water system, which is registered with the TCEQ under identification number 1700013 and serves customers in the Hazy Hollow East Estates subdivision; and

- (d) the River Club Water public water system, which is registered with the TCEQ under identification number 1700185 and serves customers in the River Club Water Company subdivision.

Application

- 4. On May 25, 2023, Undine filed the application at issue in this proceeding.
- 5. In its application, Undine seeks approval of the following:
 - (a) To increase the water pass-through rate from \$3.48 per 1,000 gallons to \$4.15 per 1,000 gallons for its customers in the Porter Terrace subdivision, effective June 1, 2023, due to an increase in the groundwater reduction plan pumpage fee charged by SJRA. The requested pass-through rate includes compensation for line loss of 28.01%, calculated in accordance with the pass-through equation in its approved tariff;
 - (b) To increase the water pass-through rate from \$3.83 per 1,000 gallons to \$4.09 per 1,000 gallons for its customers in the Spring Forest subdivision, effective June 1, 2023, due to an increase in the groundwater reduction plan pumpage fee charged by SJRA. The requested pass-through rate includes compensation for line loss of 26.95%, calculated in accordance with the pass-through equation in its approved tariff;
 - (c) To increase the water pass-through rate from \$3.80 per 1,000 gallons to \$4.48 per 1,000 gallons for its customers in the Hazy Hollow East Estates subdivision, effective June 1, 2023, due to an increase in the groundwater reduction plan pumpage fee charged by SJRA. The requested pass-through rate includes compensation for line loss of 33.24%, calculated in accordance with the pass-through equation in its approved tariff; and
 - (d) To increase the water pass-through rate from \$4.19 per 1,000 gallons to \$8.17 per 1,000 gallons for its customers in the River Club Water Company subdivision, effective June 1, 2023, due to an increase in the groundwater reduction plan pumpage fee charged by SJRA. The requested pass-through rate includes compensation for line loss of 63.42%, calculated in accordance with the pass-through equation in its approved tariff.

6. The application contained the affected CCN number, the affected subdivisions and corresponding TCEQ public water system identification numbers, a copy of the notice to customers, documentation supporting the stated amounts of any new or modified pass-through costs, historical documentation of line loss for one year, 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 Undine's tariff that contain the rates that will change if the application is approved.
7. In Order No. 2 filed on June 28, 2023, the administrative law judge (ALJ) found the application administratively complete.

Notice

8. On May 26, 2023, Undine provided notice of the pass-through rate changes to affected customers.
9. 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 to Undine for groundwater reduction plan pumpage fees charged by SJRA, 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 cost charged to your utility."
10. In Order No. 2 filed on June 28, 2023, the ALJ found notice sufficient.

Evidentiary Record

11. In Order No. 4 filed on August 30, 2023, the ALJ admitted the following evidence into the record of this proceeding:
 - (a) Undine's application and all attachments filed on May 25, 2023;
 - (b) Commission Staff's recommendation on sufficiency, notice and procedural schedule filed on June 26, 2023;
 - (c) Commission Staff's final recommendation and all attachments filed on July 24, 2023; and
 - (d) Undine's letter regarding effective date filed on August 22, 2023.

Eligibility for Pass-Through Rate Change

12. The proposed pass-through rates will pass through only the actual costs charged to Undine by its suppliers and does not duplicate costs otherwise charged to customers under the current tariff.

Tariff

13. Undine's current tariff rates for the Porter Terrace and Spring Forest subdivisions were approved by the Commission on May 11, 2021, in Tariff Control No. 51788.¹
14. Undine's current tariff rates for the Hazy Hollow East Estates and River Club Water Company subdivisions were approved by the Commission on October 19, 2022, in Tariff Control No. 53209.²
15. Undine's tariff prescribes a formula by which changes in pass-through rates are to be calculated.
16. On July 24, 2023, Commission Staff filed its final recommendation recommending the following:
 - (a) That the weighted line loss average of the four subdivisions at issue in this proceeding in this application be calculated as being 33.33%;
 - (b) That subdivisions that experienced actual line loss below the weighted average line loss use actual line loss for the calculation of the pass-through rate;
 - (c) That subdivisions that experienced actual line loss above the weighted average line loss use weighted average line loss for the calculation of the pass-through rate.

Accordingly, Commission Staff recommended approving an increase to Undine's water pass-through rate from the proposed \$4.19 per 1,000 gallons to \$4.49 per 1,000 gallons for Undine's customers in the River Club Water Company subdivision, effective June 1, 2023, due to an increase in the groundwater reduction plan pumpage fee charged by SJRA. The recommended pass-through rate includes compensation for line loss of 33.33%.

¹ *Application of Undine Texas, LLC for a Pass Through Rate Change*, Tariff Control No. 51788, Notice of Approval (May 11, 2021).

² *Application of Undine Texas, LLC for a Pass Through Rate Change*, Tariff Control No. 53209, Notice of Approval (Oct. 19, 2022).

17. A proposed tariff incorporating Commission Staff's recommendation was included as an attachment to its July 24, 2023 final recommendation.
18. On August 23, 2023, the parties filed a joint proposed notice of approval incorporating the rates proposed by Commission Staff in its final recommendation.

Informal Disposition

19. More than 15 days have passed since the completion of the notice provided in this docket.
20. No person filed a protest or motion to intervene.
21. Undine and Commission Staff are the only parties to this proceeding.
22. No party requested a hearing and no hearing is needed.
23. Commission Staff recommended approval of the application.
24. 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. Undine is a utility as defined in TWC § 13.002(23) and 16 Texas Administrative Code (TAC) § 24.3(38).
3. The Commission may approve this minor change to Undine's water tariff under 16 TAC § 24.25(b)(2)(A)(vii).
4. The application meets the requirements of 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,³ and Commission rules.
7. The requirements for informal disposition in 16 TAC § 22.35 have been met in this proceeding.

³ Tex. Gov't Code §§ 2001.001–.903.

III. Ordering Paragraphs

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

1. The Commission approves a pass-through rate of \$4.15 for customers in the Porter Terrace subdivision, effective June 1, 2023.
2. The Commission approves a pass-through rate of \$4.09 for customers in the Spring Forest subdivision, effective June 1, 2023.
3. The Commission approves a pass-through rate of \$4.48 for customers in the Hazy Hollow East Estates subdivision, effective June 1, 2023.
4. The Commission approves a pass-through rate of \$4.49 for customers in the River Club Water Company subdivision, effective June 1, 2023.
5. The Commission approves the tariff attached to Commission Staff's final recommendation filed on July 24, 2023.
6. Within ten days of the date this Notice of Approval is filed, Commission Staff must provide the Commission with a clean copy of Undine's water utility tariff to be stamped *Approved* and retained by Central Records.
7. If Undine collects an amount as a result of this pass-through rate increase that is higher than the purchased water costs incurred, Undine must refund any amounts collected in excess of the purchased water costs.
8. Within one year of the date this Notice of Approval is filed, Undine must file an application for a pass-through rate change that includes the water systems and subdivisions at issue in this proceeding so that the pass-through rates can be adjusted to incorporate any reductions in line loss Undine is able to achieve during that time.
9. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the 30th day of August 2023.

PUBLIC UTILITY COMMISSION OF TEXAS



for

SUSAN E. GOODSON
ADMINISTRATIVE LAW JUDGE