

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

June 11, 2010

LaDonna Castañuela, Chief Clerk
Texas Commission on Environmental Quality
P.O. Box 13087, MC 105
Austin, Texas 78711-3087

RE: Errata statement and replacement for exhibit B attached to the ED's Exceptions to the Proposal for Decision in TCEQ Docket No: 2008-1830-UCR and 2008-1811-UCR

Dear Ms. Castanuela,

Attached for filing are an original and seven copies of an errata statement and a replacement exhibit B attached to the ED's Exceptions to the Proposal for Decision.

Please feel free to call me at 239-0750 should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "BMacLeod", with a long horizontal flourish extending to the right.

Brian MacLeod
Staff Attorney
Environmental Law Division

Enclosures

body of the ED's Exceptions to the Proposal for Decision. Specifically, these adjustments required revision to the conclusion portion of the ED's Exceptions to the PFD and one of the ED's recommendations for a change in a finding of fact.

The conclusion on page 8 needs to be revised to read as follows (the revisions are bolded and underlined):

CONCLUSION

The ED has attached as exhibit A the rate design that reflects all the adjustments recommended by the ALJ in the PFD. The water rate in exhibit A includes a base rate of \$11.34 for customers using the standard residential meter, with a gallonage charge of \$1.60 for each thousand gallons. The sewer rate in exhibit A includes a base rate of \$28.00 with a gallonage charge of \$2.75 for each thousand gallons.

The ED has also attached as exhibit B the rate design that reflects all the adjustments recommended by the ED. The water rate in exhibit B includes a base rate of **\$16.34** for customers using the standard residential meter, with a gallonage charge of \$1.60 for each thousand gallons. The sewer rate in exhibit B includes a base rate of **\$17.73** with a gallonage charge of \$2.75 for each thousand gallons.

The total revenue requirements under both recommendations are very similar because the only difference in the cost of service is the inclusion of dental insurance, which totaled to \$1470 per year. However, the allocation between water and sewer changed the relative water and sewer rates. The other change recommended by the ED (excluding the pass through from inclusion in the standard rate application) does not affect the rate, but keeps the treatment of the pass through consistent with the regulatory scheme.

The suggestion for revising Finding of fact 71 on page 12 needs to be changed to read as follows:

Finding of fact 71 needs to be reworded as follows (the revisions are bolded and underlined):

71. Applicant's annual other revenues total \$26,796 allocated \$13,397 to water service and \$13,398 to sewer service.

Respectfully Submitted,

TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY

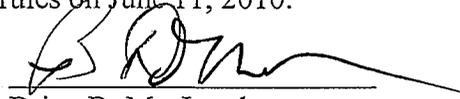
Robert Martinez, Director
Environmental Law Division

By 

Brian D. MacLeod
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CERTIFICATE OF SERVICE

This is to certify that all parties on the attached Mailing List have been sent a copy of the foregoing document in accordance with TCEQ and SOAH rules on June 11, 2010.



Brian D. MacLeod
Staff Attorney
Environmental Law Division

Mailing List
Southern Water Company
SOAH DOCKET NO. 582-09-2069
TCEQ DOCKET NO. 2008-1811-UCR

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Docket Clerk
TCEQ Office of Chief Clerk
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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

DOCKET # 36069-R- Water **UTILITY:** Southern Water Corporation

Printed on: 11-Jun-10 time: 10:06 AM

REVENUE REQUIREMENT

COST OF SERVICE ITEM	Item Cost	%	Fixed	%	Variable
SALARIES	\$146,844.00	50	\$73,422.00	50	\$73,422.00
CONTRACT SERVICES	\$2,200.00	90	\$1,980.00	10	\$220.00
PURCHASED SERVICE	\$0.00	0	\$0.00	100	\$0.00
CHEMICALS AND TREATMENT	\$11,046.00	0	\$0.00	100	\$11,046.00
UTILITIES	\$50,318.00	0	\$0.00	100	\$50,318.00
REPAIRS AND MAINTENANCE	\$3,802.00	50	\$1,901.00	50	\$1,901.00
OFFICE EXPENSE	\$9,997.00	50	\$4,998.50	50	\$4,998.50
ACCOUNTING & LEGAL	\$9,444.00	100	\$9,444.00	0	\$0.00
INSURANCE	\$49,920.00	100	\$49,920.00	0	\$0.00
RATE CASE EXPENSE	\$0.00	100	\$0.00	0	\$0.00
MISCELLANEOUS	\$11,484.00	100	\$11,484.00	0	\$0.00
DEPRECIATION & AMORTIZATION	\$56,581.46	100	\$56,581.46	0	\$0.00
TAXES OTHER THAN INCOME	\$31,811.00	100	\$31,811.00	0	\$0.00
			\$0.00	100	\$0.00
SUB-TOTAL (LESS FIT & RETURN)	383,447		\$241,542		\$141,906
% OF TOTAL (FIXED + VARIABLE)		0.63		0.37	
FEDERAL INCOME TAXES	21,993		13,854		8,139
RETURN	77,252		48,663		28,589
LESS OTHER REVENUES	-13,397		-8,439		-4,958
TOTAL	\$469,296		\$295,620		\$173,676

APPLICANT'S REQUESTED RATES	
Minimum bill:	
(includes	2,000 gallons)
5/8 x 3/4"	\$16.58
3/4"	23.28
1"	36.66
1-1/2"	70.12
2"	110.27
3"	203.95
4"	
6"	
Gallonge rate:	\$1.60 /1,000 gallons
Rev. Reqes'd:	\$472,436
Rev. Gen'd :	\$417,113

RATE CALCULATION

Calculating a flat rate? y

GALLONAGE CHARGE

Variable Cost/Test Year Gallons/1,000 =====>

\$1.53 /TH.GAL.

MINIMUM BILL

Fixed Cost/12/Connection Equivalents =====>

\$16.79 /MO.

\$19.85 /MO. incl. min. gallons

STAFF'S PROPOSED RATE	
USE ->	\$1.60 /TH.GAL.
YIELDS	\$16.34 /MO.
	19.54 /MO. incl. min. gallons
ANNUAL REVENUE GENERATED:	\$469,296

REVENUE GENERATED SUMMARY:

Connection Size	# of Connections	Minimum Bill			Rev./Year
		Min. Bill	Including Gals	Rev./Month	
5/8x3/4"	1255	16.34	\$19.54	\$24,527	\$294,330
3/4"	0	24.52	27.72	0	0
1"	9	40.86	44.06	397	4,758
1-1/2"	0	81.72	84.92	0	0
2"	20	130.75	133.95	2,679	32,148
3"	2	245.16	248.36	497	5,961
4"	0	408.60	411.80	0	0
6"	0	817.19	820.39	0	0

TOTAL MINIMUM CHARGES=> \$337,197
 GALLONAGE CHARGES=> 82,562 @ \$1.60 /1,000 G 132,099
TOTAL REVENUE GENERATED=> \$469,296

REVISED EXHIBIT B, page 1, The ED's recommended water rate design

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

DOCKET # 36070-R- Sewer UTILITY: Southern Water Corporation

Printed on: 11-Jun-10 time: 10:07 AM

version: 20070403

REVENUE REQUIREMENT

COST OF SERVICE ITEM	Item Cost	%	Fixed	%	Variable
SALARIES	\$146,844.00	50	\$73,422.00	50	\$73,422.00
CONTRACT SERVICES	\$2,200.00	90	\$1,980.00	10	\$220.00
PURCHASED SERVICE	\$0.00	0	\$0.00	100	\$0.00
CHEMICALS AND TREATMENT	\$38,180.00	0	\$0.00	100	\$38,180.00
UTILITIES	\$50,317.00	0	\$0.00	100	\$50,317.00
REPAIRS AND MAINTENANCE	\$3,802.00	50	\$1,901.00	50	\$1,901.00
OFFICE EXPENSE	\$9,997.00	50	\$4,998.50	50	\$4,998.50
ACCOUNTING & LEGAL	\$9,444.00	100	\$9,444.00	0	\$0.00
INSURANCE	\$49,919.00	100	\$49,919.00	0	\$0.00
RATE CASE EXPENSE	\$0.00	100	\$0.00	0	\$0.00
MISCELLANEOUS	\$11,483.00	100	\$11,483.00	0	\$0.00
DEPRECIATION & AMORTIZATION	\$65,843.91	100	\$65,843.91	0	\$0.00
TAXES OTHER THAN INCOME	\$31,810.00	100	\$31,810.00	0	\$0.00
SUB-TOTAL (LESS FIT & RETURN)					
	419,840		\$250,801		\$169,039
% OF TOTAL (FIXED + VARIABLE)					
		0.60		0.40	
FEDERAL INCOME TAXES	72,937		43,571		29,366
RETURN	157,030		93,806		63,224
LESS OTHER REVENUES	-13,398		-8,004		-5,394
TOTAL	\$636,409		\$380,174		\$256,235

APPLICANT'S REQUESTED RATES	
Minimum bill: (includes 2,000 gallons)	
5/8 x 3/4"	\$33.95
3/4"	\$33.95
1"	\$33.95
1-1/2"	\$33.95
2"	\$33.95
3"	\$33.95
4"	\$33.95
6"	\$33.95
Gallage rate: \$2.75 /1,000 gallons	
Rev. Reques'd:	\$817,416
Rev. Gen'd:	\$801,947

RATE CALCULATION

GALLONAGE CHARGE

Variable Cost/Test Year Gallons/1,000 =====>

Calculating a flat rate? y

\$1.94 /TH.GAL.

MINIMUM BILL

Fixed Cost/12/Connection Equivalents =====>

\$24.62 /MO.
\$28.50 /MO. incl. min. gallons

STAFF'S PROPOSED RATE	
USE ->	\$2.75 /TH.GAL.
YIELDS	\$17.73 /MO. .23.23 /MO. incl. min. gallons
ANNUAL REVENUE GENERATED:	\$636,409

REVENUE GENERATED SUMMARY:

Connection Size	# of Connections	Minimum Bill			Rev./Year
		Min. Bill	Including Gals	Rev./Month	
5/8x3/4"	1257	17.73	\$23.23	\$29,202	\$350,422
3/4"	0	17.73	23.23	0	0
1"	9	17.73	23.23	209	2,509
1-1/2"	0	17.73	23.23	0	0
2"	19	17.73	23.23	441	5,297
3"	2	17.73	23.23	46	558
4"	0	17.73	23.23	0	0
6"	0	17.73	23.23	0	0

TOTAL MINIMUM CHARGES=> \$358,786
 GALLONAGE CHARGES=> 100,954 @ \$2.75 /1,000 G/ 277,624
 TOTAL REVENUE GENERATED=> \$636,409

REVISED EXHIBIT B, page 2, The ED's recommended sewer rate design