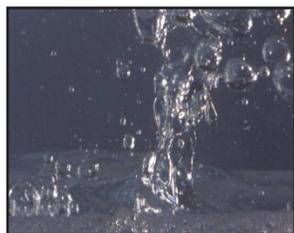


UTILI-FACTS

Surcharging Customers of Investor-Owned Utilities for Sampling and Inspection Fees

What Are the Surcharge Rules?

An investor-owned water or sewer utility ("utility") may request approval to collect a surcharge from each of its customers. Rules of the Public Utility Commission of Texas (PUCT) allow a utility to recover the actual increase in costs for sampling, inspection fees, and other governmental requirements that are beyond the utility's control. These rules are in Title 16, Texas Administrative Code, Section 24.21(k)(2).



When to Request Surcharge Approval

Under PUCT rules, a utility may collect a surcharge over a specified time period, but only after the utility has been authorized in writing by the regulatory authority that has jurisdiction over its rates and services. If the utility is located inside the corporate boundaries of a city ("city limits"), the utility must seek approval for that surcharge from that city. If the utility is located outside the city limits, the utility must seek approval from the PUCT.

What Steps Are Required?

To collect a surcharge to recover the costs of sampling and inspection fees, a utility must follow these requirements:

- obtain approval in writing from the appropriate regulatory authority—either from the PUCT or from the city with original jurisdiction—before charging and collecting the surcharge;
- notify customers after the surcharge is approved—never at the time approval of the surcharge is requested.

What Costs Can Be Recovered?

A surcharge may only include actual increases in costs under the surcharge rule. The primary purpose of the surcharge is to recover costs already incurred. However, a utility may be allowed to begin recovering costs for additional required sampling that has not yet occurred if the sampling costs would cause significant financial problems for the utility.

What Sampling Costs and Fees Can Be Surcharged?

Utility cost increases can result from a variety of required samples and inspection fees. Examples include:

- additional sampling required for implementation of the federal Safe Drinking Water Act; and
- routine water or wastewater sampling and inspection fees

(for example, public water system or wastewater fees, tracer studies for surface water plants, and chemical sampling for substances, such as lead and copper).

How to Calculate the Surcharge

Here is an example that demonstrates how to calculate the amount of the surcharge:

ABC Utility Company (ABC), with 150 connections, had a \$2,700.00 increase in sampling costs that were not anticipated when its current rates were set. This cost was a nonrecurring expense, because a waiver was granted for similar sampling in the future.

- ABC proposes recovering this unanticipated expense from its customers using the following calculations: Sampling cost per connection: \$2,700.00 divided by 150 connections = \$18.00 per connection; and
- Proposed monthly surcharge per month for one year: \$18.00 sampling cost per connection divided by 12 months = \$1.50 surcharge per customer per month.

How to Request PUCT Approval

Utilities serving outside the city limits should mail a request with sufficient documentation for approval of a surcharge to:

Public Utility Commission of Texas

Attention: Filing Clerk

1701 N. Congress Avenue

P.O. Box 13326

Austin, Texas 78711-33236

What Should a Request Letter Include?

A letter requesting approval of a surcharge should provide the following information:

- Total amount of the increase for sampling and inspection costs covered by the surcharge request;
- Number of current connections;



QUESTIONS:

Call: 512-936-7405

Write:

Public Utility Commission
Water Utilities Division
1701 N. Congress Ave.
P.O. Box 13326,
Austin, TX 78711-3326

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- Requested monthly surcharge per connection;
- Number of months the surcharge will be in effect (PUC T rules do not specify how long the surcharge should last, but it should be a reasonable time period – one that takes into consideration the impact of the surcharge on the customer's monthly bill); and
- Calculations showing how the surcharge is divided among the current number of connections.

What supporting documents must be provided?

The supporting documents submitted with the surcharge request letter should include:

- An explanation or documentation of the increased costs, or how the increased costs were calculated, including copies of payment receipts or invoices for the allowable costs;
- If costs are requested for sampling that has not yet been conducted, copies of cost estimates and time schedules, along with an explanation of the financial difficulties the utility will experience if future costs are not included. A copy of the required samples for the current year and the estimated cost list can be obtained from the Texas Commission on Environmental Quality's (TCEQ's) Public Drinking Water Section (512/239-4691) and may be included to support these cost estimates. Remember that all tests may not be required for every utility; and
- Copies of all letters to or from the TCEQ's Source Water Assessment & Protection Team. The TCEQ is authorized to grant waivers for chemical sampling in some instances. If the utility is unaware of its waiver status, it should contact the TCEQ's Source Water Assessment & Protection Team at 512/239-4691.

PUCT Review of Surcharge Requests

The PUCT's Water Utilities program is responsible for reviewing surcharge requests. If a request is adequately justified and reasonable, the PUC will notify the utility of the approval of the request. If more information is needed, the utility will be notified.

If the PUCT staff do not agree with the proposed surcharge or the length of time it will be in effect, staff will discuss their concerns with the utility and the Commission will set an appropriate surcharge. However, the utility still has the option of filing a complete rate change application to recover reasonable and necessary expenses.

Billing Procedures after PUCT Approval

- The surcharge may be included on the first bill the utility sends out after receiving approval;
- A surcharge notice must be included on the first bill. The following statement is an example: "The PUCT has approved this surcharge for a 12-month period to cover the increased costs of sampling fees incurred to comply with the federal Safe Drinking Water Act;"

- The surcharge must be identified and listed separately on each monthly bill;
- The utility must stop collecting the surcharge as soon as the authorized amount has been collected; and
- If the utility collects any surplus amount over the authorized amount, the utility must credit the surplus back to the customers on the next monthly bill.

Questions?

Customers may call the PUCT's Customer Protection Division at 888-782-8477

Utilities may call the PUCT's Water Utilities Division at 512-396-7405.

Go to the PUCT's website at www.puc.texas.gov