



**CITY OF HOUSTON - CITY COUNCIL**

Meeting Date: 10/11/2022

District B

Item Creation Date: 9/27/2022

ARA - Approve Southern Water Corporation's Modified Water Tariff

Agenda Item#: 18.

**Summary:**

**NOT A REAL CAPTION**

**ORDINANCE AMENDING CHAPTER 37 OF THE CITY CODE OF ORDINANCES** by adding a new Section 37-60 relating to Investor-Owned Water Utility Rates - **DISTRICT B - JACKSON**

**Background:**

The Administration & Regulatory Affairs Department (ARA) recommends that City Council adopt an ordinance approving Southern Water Corporation's (Southern) amended tariff for water utility service to its customers located within the Houston city limits. Southern is an investor-owned water/wastewater utility (IOU) with exclusive authority to provide water and sewer services to Houston customers within its certificated service area as granted under Certificate of Convenience and Necessity (CCN) Nos. 11389 and 20500. Southern serves approximately 1,299 water and 1,296 sewer customers in the Hidden Valley Subdivision in Houston. Approximately 1,259 of these customers are residential customers with standard 5/8" meters. The City of Houston exercises original jurisdiction over Southern's rates and services under the provisions of the Texas Water Code for customers within the city limits.

On November 30, 2021, Southern filed an application for approval of a pass-through fee change to reflect an increase in the wholesale water rate charged by the City of Houston under its groundwater reduction plan (GRP) for Houston customers. Southern filed a similar application with the Public Utility Commission (PUC) for customers located in the environs area. Southern requested an increase to its GRP pass-through fee from \$0.88 to \$1.15. The last GRP pass-through fee was approved administratively in 2012. However, in addition to modifying the GRP fee, Southern also requested other substantive amendments to the tariff, including service rules and policies. Thus, these amendments require City Council approval.

With the assistance of our water utility experts, ARA reviewed the amended tariff and determined that the majority of changes conform to the PUC's approved standard tariff and changes that have been approved by State law since Houston City Council last approved the tariff in 2008. The City also directed that Southern remove a requested revenue recovery surcharge and the rate case expense surcharge from the proposed rate schedule, and that the utility limits the recovery by establishing a 15% maximum line loss factor within the GRP calculation. As originally proposed by Southern, the line loss component in the formula used to determine the pass-through adjustment did not cap the amount of line loss.

Based on the analysis by our experts and our regulatory staff, we have determined that the utility's GRP calculations are correct and the proposed GRP pass-through fee of \$1.15 is correct. Accordingly, ARA recommends that City Council adopt an ordinance approving Southern's amended tariff for water utility service, including amendments agreed to by the City and Southern, for Houston customers.

**Fiscal Note**

There is no impact to the fiscal budget. Therefore, no Fiscal Note is required as stated in the Financial Policies.

**Departmental Approval Authority:**

DocuSigned by:  
*Tina Paez*  
606AE9FC66A94CC

**Tina Paez, Director**  
**Administration & Regulatory**  
**Affairs Department**

**Other Authorization**

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