



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 11/1/2016

District H

Item Creation Date: 10/13/2016

ARA-Nitsch & Son Water-Sewer Rate Settlement Agreement

Background:

The Administration & Regulatory Affairs Department (ARA) recommends that Council adopt an ordinance relating to water and sewer rates of Nitsch & Son Utility Company, Inc., approving a settlement agreement and adopting rate adjustments consistent with the settlement agreement.

Nitsch is an investor owned water/wastewater utility (IOU) with exclusive authority to provide water and sewer services to customers within its certificated service areas as granted under Certificate of Convenience (CCN) No. 11124 (water) and 20446 (sewer). CCNs are issued by the Public Utility Commission of Texas (PUC) and are granted for an indefinite period of time. The City of Houston exercises original jurisdiction over Nitsch's rates under the provisions of the Texas Water Code. The City of Houston exercises original jurisdiction over Nitsch's rates under the provisions of the Texas Water Code for customers within city limits.

On June 20, 2016, Nitsch filed an application with the City of Houston to increase its water and sewer rates for customers located in Bellmar Terrace, Assumption Heights, Little York, Cortlandt Meadows and Lazy Meadows subdivisions (all located in District H). Nitsch requested a combined 27.7% increase in its 2015 base revenues requirements for water and sewer services. This equates to a 39.65% (5/8 x 3/4" meter) increase to average residential customer's monthly bill, assuming an average consumption of 6,000 gallons per month, and a 41.20% for customers with a 1" meter (based on 6,000 gallons used). The specific rate impact to Houston customers will vary by service, meter size and gallons used.

On July 13, 2016, City Council approved an ordinance suspending the effective date of the new rates for 90 days from July 25, 2016. During the suspension period, the City engaged a rate consultant to review the rate request and assist with preparation of a final recommendation. During the suspension period, the City conducted a public meeting with Nitsch customers. Participants providing comment on the subject of the new rates and customer service concerns, in support of the Nitsch requested rate increase and general satisfaction with the quality of service in the service area (non-utility participants).

Believing resolution of the Nitsch rate proceeding by settlement agreement to be in the best interest of the ratepayers, the City entered into negotiations with the Company. During the negotiations, the City and the Company agreed to extend the suspension period for the new rates to November 13, 2016 to allow additional time to reach an agreement. The proposed settlement represents a substantial reduction to the Company's original \$173,620 base revenue increase request to \$15.72 or 24.49% increase in the monthly bill for the average residential customer with a 5/8" x 3/4" meter (assuming 6,000 gallons used) instead of the requested \$25.44 increase. The attached table shows the effects on residential customer bills, based on monthly consumption with a comparison to current rates. Also, attached is a table outlining the settlement water and sewer base rates for existing Nitsch in-City customers for comparable usage (assuming zero gallons used). The effective date of the settlement rates is no sooner than November 14, 2016. The Company will begin applying the settlement rates to usage beginning December 2016.

A negotiated settlement is in the best interest of the ratepayers, and the City and Company. For this reason, ARA recommends that Council adopt an ordinance relating to the retail water and sewer rates of Nitsch & Son Utility Company, Inc., approving a settlement agreement and adopting rates that reflect rate adjustments consistent with the settlement agreement.

Departmental Approval Authority:


Tina Paez, Director
Administration & Regulatory
Affairs Department

Other Authorization

Action:

Ordinance No. 2016-555

2016 – Ordinance No. 2016-701

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