



ADMINISTRATION AND REGULATORY AFFAIRS DEPARTMENT

Utility Regulation Section Policy

Subject: **Regulated Investor Owned Water and Sewer Utility
Notice of Intent and Application to Change Rates Filing**

Policy No. **ARA-UR-001**

Effective Date: 12/30/2025

1. AUTHORITY

1.1. Chapter 37, City of Houston (City or Houston) Code of Ordinances

2. PURPOSE

2.1. This policy describes the requirements for the contents of an application to change rates and the requirements for the provision of notice of an application to change rates filed by a Class A, B, or C utility, or a Class D utility filing under Texas Water Code (TWC) §13.1872 (c)(2). Unless otherwise defined in this Chapter, key terms, definitions, and utility classifications align with those adopted by the Texas Public Utility Commission (PUCT) 16 TAC §24.3.

3. POLICY STATEMENT

3.1. The City exercises exclusive original jurisdiction over the rates, tariffs, operations and services of investor owned (IOU) water and sewer utilities operating within Houston's corporate limits (TWC §13.042; City Code Ch. 37 generally). The City is obligated under the TWC to ensure utilities provide fair, just and reasonable rates and services are adequate and efficient. Under the provisions of Chapter 37, a water and sewer utility may not make changes to its rates except by filing the applicable rate filing package, a statement of intent to change rates, and the proposed form and method of notice to customers. No application to change rates will be deemed filed with the City unless and until it contains all the information required by the City, the TWC, and PUCT Standards. The following requirements apply to every rate application, tariff change, or rider filing submitted to the City unless otherwise ordered; the Director may require additional information and prescribe forms (City Code Ch. 37, art. III, div. 2; §§37-52, 37-54).

4. CONTENTS OF THE APPLICATION FOR BASE RATE CASES

4.1. This section applies to base rate case filings or other major rate changes. See Section 6 for other (non-major) rate changes.

4.2. In addition to the requirements in Section 37-20 of the City Code of Ordinances, all applications to change rates must be filed with the Director and Director's designee on an appropriate electronic medium in searchable format, including all schedules and workpapers in Excel spreadsheet format with formulas intact, plus a comprehensive index of schedules and workpapers.

4.3. The City's application to change rates shall be the same as the PUCT's rate filing package form and must contain:

4.3.1. All required schedules and a complete set of proposed City tariff revisions.

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Approved:

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Tina Paiz

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Date Approved:

12/30/2025

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- 4.3.2. All Texas Commission on Environmental Quality (TCEQ) compliance materials as detailed in Section 4.10 below.
- 4.3.3. The meter address for each active customer located in Houston’s jurisdiction. If requesting a rate change for multiple systems, please provide by system.
- 4.3.4. The total number of customers by class and meter size for each utility type (e.g. water or sewer) and system with customers located within Houston’s jurisdiction. For systems within multiple jurisdictions, including Houston’s and the PUCT’s, provide the total number of customers located in each respective jurisdiction.
- 4.4. For an application filed by a Class A utility, the rate filing package, including each schedule, must be supported by pre-filed direct testimony. The pre-filed direct testimony must be filed at the same time as the application to change rates.
- 4.5. For an application filed by a Class B utility, Class C utility, or Class D utility filing under TWC §13.1872(c)(2), the applicable rate filing package, including each schedule, must be supported by affidavit. The affidavit must be filed at the same time as the application to change rates. If the application is set for a hearing, the presiding officer may require the filing of pre-filed direct testimony at a later date.
- 4.6. If the utility is requesting a rate change for multiple systems under a combined tariff, the utility must provide with its application:
 - 4.6.1. The revenue requirement summary for each system serving customers inside Houston’s jurisdiction, with a separate schedule for water service and sewer service, if the system provides both water and sewer service. This is in addition to the revenue requirement provided for the combined systems.
 - 4.6.2. A separate revenue requirement summary aligned to each existing City tariff maintained by the utility, with a separate schedule for water service and sewer service, if the system provides both water service and sewer service.
 - 4.6.3. Houston-specific rate design schedules, including customer class definitions, meter equivalents, block structures, and billing determinants.
- 4.7. In the application to change rates, Class A and B utilities must provide a detailed analysis of all cost allocations to the City of Houston, including the basis, methodology, and supporting calculations for each allocation.
- 4.8. Provide a listing of all deficiencies cited by the TCEQ since the end of the test year in the utility’s prior rate proceeding, including:
 - 4.8.1. Notice of Violations (NOVs);
 - 4.8.2. Public notices;
 - 4.8.3. Boil-water events;
 - 4.8.4. Corrective actions with current PWS ID(s) and wastewater permit numbers (if applicable); and
 - 4.8.5. All remedies undertaken by the utility to address the TCEQ cited deficiencies.

- 4.9. Submit a City-specific complete clean and redline set of proposed tariff sheets utilizing the PUCT Water/Sewer Utility Tariff form.
- 4.10. Provide Certificate(s) of Convenience and Necessity (CCN) and a service-area map clearly identifying systems and Houston-served sub-areas.
- 4.11. Provide a proof-of-notice affidavit with sample customer notices and mailing/e-mailing lists.
- 4.12. Provide all other information required by Chapter 37.
- 4.13. Provide all other information furnished to other regulatory agencies.
- 4.14. Provide any additional information the utility considers relevant and appropriate.

5. NOTICE REQUIREMENTS SPECIFIC TO APPLICATIONS FILED BY CLASS A UTILITIES

- 5.1. Notice of the Application. In order to change rates under TWC §13.187, Class A utilities must comply with the following requirements at least 35 days before the effective date of the proposed change.
 - 5.1.1. The utility must file a statement of intent (notice) with the City and provide a copy of the notice to all customers of the utility located in the City's jurisdiction and affected by the proposed rate change.
 - 5.1.2. Notice must be provided using the City-approved form and must include a description of the process by which a ratepayer may intervene in the proceeding.
 - 5.1.3. Notice to affected ratepayers may be mailed separately, e-mailed (if the customer has agreed to receive communications electronically), or may accompany customer billings.
 - 5.1.4. Notice is considered complete upon mailing, e-mailing (if the customer has agreed to receive communications electronically), or hand delivery.
 - 5.1.5. If the rate change request impacts multiple systems served by the utility, the notice must clearly identify the impact to the systems located in Houston.
- 5.2. Notice of the hearing. After the rate application is set for a hearing, the City will give reasonable notice of the hearing.

6. NOTICE REQUIREMENTS SPECIFIC TO APPLICATIONS FILED BY CLASS B, C, AND D UTILITIES

- 6.1. Notice of the application. In order to change rates, Class B or C utilities, or Class D utilities filing under TWC 13.1872(c)(2), must comply with the following requirements at least 35 days before the effective date of the proposed change.
 - 6.1.1. The utility must file a notice with the City and provide a copy of the notice to all customers of the utility affected by the proposed rate change located in Houston's jurisdiction.
 - 6.1.2. Notice must be provided using the City-approved form and must include a description of the process by which a ratepayer may file a protest under TWC §13.1871 (i).

6.1.3. Notice to affected ratepayers may be mailed separately, e-mailed (if the customer has agreed to receive communications electronically), or may accompany customer billings.

6.1.4. Notice is considered complete upon mailing, e-mailing (if the customer has agreed to receive communications electronically), or hand delivery.

6.2. Notice of the hearing. After the rate application is set for a hearing, the City will give reasonable notice of the hearing.

6.3. Class B utilities must mail notice of the hearing to each affected ratepayer at least 20 days before the hearing. Notice must include a description of the process to intervene in the proceeding.

6.4. Class C utilities or Class D utilities filing under TWC §13.1872(c)(2), must mail, e-mail, or hand deliver notice of the hearing to each affected ratepayer at least 20 days before the hearing. Notice must include a description of the process to intervene in the proceeding.

7. OTHER (NON-MAJOR) RATE CHANGES

7.1. **Scope.** The following may be processed as minor tariff changes or limited scope adjustments under 16 TAC §24.25(b)(2) (and related rules) when supported by documentation, notice, and proof of notice required by Commission rule and these City requirements.

7.2. **Pass-Through Adjustments.** City adopts 16 TAC §24.25(b)(2) procedures for pass-throughs of: (a) purchased water/sewer charges, (b) groundwater conservation district fees, (c) subsidence/Groundwater Reduction Plan (GRP) fees, (d) regulatory assessment fee itemization, and (e) other pass-through items and surcharges permitted by rule. The filing must include the tariff clause, calculation worksheet (showing line loss where applicable), source invoices, affected-customer list, notice, and proof of notice. The pass-through may be approved as a minor change, even if the tariff previously lacked a pass-through clause, when 16 TAC §24.25 notice standards are met.

7.3. **Energy Cost Adjustment Clause (ECAC).** A utility may file to implement an ECAC as a minor change under 16 TAC §24.25(b)(2)(A)(vi) and subsection (n), with mechanical formulas, data sources, and reconciliation method.

7.4. **Temporary Water Rate During Mandated Curtailments.** Where a court or government authority mandates reductions in water use, a temporary water rate may be implemented consistent with 16 TAC §24.25, subject to City approval and required notice. Include the mandate, effective dates, and sunset/true-up method.

7.5. **Downward Reconciliations & Phased/Multi-Step Updates.** The City may approve downward rate reconciliations or updates to previously approved phased/multi-step rates as minor changes under 16 TAC §24.25(b)(2)(A)(v) when supported by workpapers and proof.

7.6. **Housekeeping (Non-Rate) Edits.** Non-rate-affecting updates (service area lists, PWS IDs, discharge permit numbers, and similar) may be filed as minor changes under 16 TAC §24.25(b)(2)(A)(ix), with a redline and clean tariff.

7.7. Filers must observe rate-change frequency rules in 16 TAC §24.29; exceptions for pass-throughs and 16 TAC §24.25(b)(2) changes apply as provided by rule.

7.8. **City Submittals.** For any filing under this Section: provide native Excel with formulas; City-branded customer notice; source invoices; board orders; affected-system map; and Houston-only customer count summary.