

INFORMATION ON APPEAL OF WHOLESALE RATES OF CITY OF MINERAL WELLS

Dear Santo SUD Customers:

Santo SUD agreed to file a joint petition to appeal the most recent wholesale water rate increase of the City of Mineral Wells (“City”). Santo SUD receives its source water, also referred to as wholesale water, from the City. Santo SUD and the other City wholesale customers already had some of the highest wholesale water rates in the state at the \$7.79/1,000 gallons rate. When the City voted to increase the wholesale water rate by a staggering 146%, from \$7.79/1,000 gallons to \$19.17/1,000 gallons, Santo SUD and Sturdivant Progress WSC hired a rate consultant to review whether the rate met the requirements of state law. Although we did not receive the complete set of information requested from the City, the rate consultant was able to determine from the information provided that the “cost of service” analysis for wholesale customers was not completed in the City’s rate study. This type of analysis is important in determining the appropriate costs for each customer type based on how they use the water system. For wholesale customers like us, it is important that we only pay for the cost of the actual facilities that are used to provide us wholesale service and not costs related to facilities used by the City’s retail/direct customers.

In addition, Santo SUD has questions related to how the future cost of the Turkey Peak project was included in the new rate. This information is important in determining whether a rate meets the “just and reasonable” standard in the Texas Water Code, and we have not received that information from the City. Santo SUD actually requested information related to the Turkey Peak project, the Palo Pinto County Municipal Utility District No. 1 that owns the facilities that provide the wholesale water (board is appointed by the City), the current water source and water line, related funding, and timing of funding, in January 2023 and did not receive a response from the City despite multiple requests.

The wholesale water bill from the City after the new rate took effect increased by \$69,313, for a total of \$115,866, for one month of water supply. Keep in mind this amount is for source water only, and Santo SUD also has distribution, chemical, storage, and other operation and maintenance costs associated with providing retail water service to its approximately 1,150 customers. The Santo SUD Board of Directors determined that it needed to appeal the City’s water rate increase as authorized under Texas Water Code Section 13.043(f) on behalf of our customers to receive more information about the rate increase and to ensure that the rate increase complies with state law.

A copy of the appeal petition can be accessed at the following link:
https://interchange.puc.texas.gov/Documents/56069_1_1355918.PDF.

Please contact the office with any questions.