



Control Number: 47757



Item Number: 1

Addendum StartPage: 0

47757

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PUBLIC UTILITY COMMISSION
FILING CLERK

NOTICE OF PASS-THROUGH RATE CHANGE

DATE: November 3, 2017

TO: Public Utility Commission of Texas
Central Records
1701 N. Congress Ave, Suite 8-100
Austin, TX 78701

FROM: MSEC Enterprises, Inc. ("MSEC")
Water CCN 12887
P.O. Box 970; 7625 Highway 6
Navasota, Texas 77868

BY: Ty Embrey
Attorney for MSEC Enterprises, Inc.
816 Congress Avenue, Suite 1900
Austin, Texas 78701
(512) 322-5800 (phone)
(512) 472-0532 (facsimile)
Email: tembrey@lglawfirm.com

RE: Notice of Pass-Through Rate Change pursuant to Substantive Rule 24.21(b)(2)(E)
Lone Star Groundwater Conservation District Groundwater Use Fee

MSEC files this Notice of Pass-Through Rate Increase pursuant to P.U.C. Subst. R. 24.21(b)(2)(E).

MSEC is an independently owned utility using groundwater produced from the Gulf Coast Aquifer as a source of supply for its water utility services in Montgomery County, Texas. MSEC is therefore under the jurisdiction of the Lone Star Groundwater Conservation District ("Lone Star") and subject to Lone Star's rules and regulations. Lone Star charges a "water use fee" for the production of groundwater from certain aquifers in Montgomery County. To offset those fees, MSEC's tariff currently allows for a recovery of \$0.07 per 1,000 gallons used by its customers when taking into account its line loss factor. However, MSEC's authorized recovery at present does not match Lone Star's current fee.

At the July 12, 2016 meeting of Lone Star's Board of Directors, Lone Star took formal action to increase their water use fee rate from \$0.06 per 1,000 gallons to Lone Star's current rate of \$0.075 per 1,000 gallons. However, MSEC never applied to the P.U.C. for pass-through rate increase to mirror Lone Star's increase of its water use rate to \$0.075 per 1,000 gallons. At a meeting of the Lone Star's Board of Directors on August 8, 2017, Lone Star took formal action to again increase its water use fees, now from \$0.075 per 1,000 gallons of groundwater produced to \$0.105 per 1,000 gallons. The resolution adopting the new water use fee for calendar year 2018 that was passed during that August 8, 2017 meeting reflects the Board's desire to increase the water use fee, stating:

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PUBLIC UTILITY COMMISSION
NOTICE OF PASS-THROUGH RATE CHANGE CCN 12887
November 3, 2017
PAGE 2 of 3

Whereas, the District Board of Directors and District's Budget and Finance Committee have worked diligently to forecast all reasonably anticipated revenues, expenses, and activities, after giving much consideration to these important factors, has proposed a \$0.03 per 1,000 gallons increase for all groundwater permitted, other than agricultural use and that permitted in the Catahoula Restricted Aquifer for the calendar year 2018.

...

[A] regulatory water use fee of \$0.105 per 1,000 gallons for all uses, other than "agricultural use," of groundwater permitted in the Gulf Coast Aquifer... are hereby adopted as the regulatory water use fees of the District for the calendar year 2018.

MSEC therefore requests to amend its tariff to allow for recovery under its tariff to match both of the fee increases from Lone Star authorized in 2016 and 2017, for a total pass-through increase in the amount of \$0.12 per 1,000 gallons used by its customers when taking into account its line loss factor. MSEC will mail a Customer Notice of this Pass-Through Rate Change to all of its customers as required by Rule 24.21(b)(2)(E)(ii) on or about December 1, 2017, such change coming into effect at the same time as Lone Star's fee increase – January 1, 2018.

Rule 24.21(b)(2)(E)(i) attachments:

1. List of the affected subdivision(s), public water system name(s) and corresponding number(s) issued by the TCEQ, and the water quality system name(s) and corresponding number(s) issued by the TCEQ, if applicable, attached as Exhibit "A".
2. Copy of the Customer Notice of Pass-Through Rate Change to be sent to MSEC's customers on or about December 1, 2017 in advance of the billing statement (January 1, 2018) in which the revisions are to be implemented, attached as Exhibit "B".
3. Proof of the cost of the water use fee has changed by the amount stated in the form of a copy of the notice provided by Lone Star on or about July 15, 2016 regarding the increase of the water use fee from \$0.06 to \$0.075 per 1,000 gallons attached as Exhibit "C-1," and also a copy of the Lone Star Board Resolution Adopting 2018 Water Use Fee (Resolution No. 17-006) regarding the increase of the water use fee from \$0.075 to \$0.0105 per 1,000 gallons attached as Exhibit "C-2".
4. Calculations and Assumptions used to determine the new rates as set forth in the Customer Notice including line loss calculations attached as Exhibit "D-1" and rate calculations attached as Exhibit "D-2".

PUBLIC UTILITY COMMISSION
NOTICE OF PASS-THROUGH RATE CHANGE CCN 12887
November 3, 2017
PAGE 3 of 3

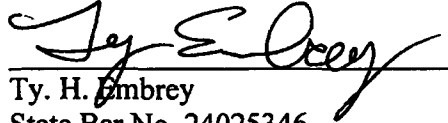
5. Copy of the page of the tariff that contain the rates that will change if the utility's application is approved attached as Exhibit "E".

Please process this application in accordance with all applicable substantive rules of the PUC. Thank you for your time and attention to MSEC's request.

Respectfully submitted,

**LLOYD GOSSELINK ROCHELLE
& TOWNSEND, P.C.**

816 Congress Avenue, Suite 1900
Austin, Texas 78701
(512) 322-5800 (phone)
(512) 472-0532 (facsimile)



Ty. H. Embrey
State Bar No. 24025346
J. Troupe Brewer
State Bar No. 24082728

**ATTORNEYS FOR MSEC ENTERPRISES,
INC.**

EXHIBIT "A"

CCN 12887 and SUBDIVISIONS

SUBDIVISION	PWS ID Number
Capitol Hills	1700638
Crown Oaks	1700638
Crown Ranch	1700781
Grand Lake Estates	1700638
Highland Ranch	1700638
Hills of Montgomery	1700638
Lake Forest Lodge	1700638
Lake Forest Lodge South	1700638
Legacy Creek Estates	1700638
Lakeview	1700638
Oaklawn Estates	1700638
Old Kentucky Farms	1700638
Montgomery Trace	1700638
Ridge Lake Shores	1700638
Stillwater Estates	1700677
Valleywood Acres	1700638
Woodforest	1700638
Woodforest Golf Course	1700638

EXHIBIT "B"

Customer Notice of Pass-Through Rate Change January 1, 2018

CUSTOMER NOTICE OF CHANGE IN WATER RATE
Effective Date of Change: JANUARY 1, 2018

Date: December 1, 2017
To: All customers of MSEC Enterprises, Inc.
From: MSEC Enterprises, Inc., P. O. Box 970, Navasota, Texas 77868 ("Utility")

For more information regarding the Lone Star Groundwater Conservation District, please go to the website <https://www.lonestargcd.org/>

Be advised that LSGWCD's Water Use Fee has changed.

In 2010, LSGWCD Board of Directors issued a Water Use Fee rate of \$0.06/1000 gallons. That Water Use Fee rate continued through December 31, 2016.

On July 12, 2016 the LSGWCD Board of Directors approved a Water Use Fee rate effective January 1, 2017. The Water Use Fee increased to \$0.075/1,000 gallons. MSEC did not pass through this increase to the customers.

On August 8, 2017, the LSGWCD Board of Directors approved a Water Use Fee rate effective January 1, 2018:

Water Use Fee to be charged is \$0.105/1,000 gallons (\$0.12/1000 gallons when adjusted for line loss).

This change by LSGWCD requires MSEC to provide you NOTICE under **Public Utility Commission of Texas Rule 24.21(b)(2)E(ii)** of a TARIFF RATE REVISION as follows:

Lone Star Groundwater Conservation District (LSGWCD).....
\$0.12* per 1,000 gallons *(The Pass Through Fees are adjusted for line loss)

The Present Calculation and the New Calculation of the Customer Billing applicable to your billing, including the LSGWCD Water Use Fee, are set out on the following pages.

This tariff change is being implemented in accordance with the minor tariff changes allowed by 16 Texas Administrative Code §24.21. The cost to you as a result of this change will not exceed the costs charged to your utility.

Calculation for customer billing Prior to January 1, 2018:

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 – Rates

Meter Size	Monthly Minimum Charge (Includes 0 gallons all Meter Sizes)	Gallonge Charge
5/8" or 3/4"	<u>\$ 33.00</u>	<u>\$3.25</u> per 1000 gallons, first 10,000 gallons
1"	<u>\$ 56.00</u>	<u>\$3.45</u> per 1000 gallons, next 10,000 gallons
1 1/2"	<u>\$200.00</u>	<u>\$3.70</u> per 1000 gallons, over 20,000 gallons
2"	<u>\$320.00</u>	
3"	<u>\$375.00</u>	

Lone Star Groundwater Conservation District (GCD).....\$0.07* per 1000 gallons

San Jacinto River Authority (SJRA)\$2.93* per 1000 gallons

*(The Pass Through Fees are adjusted for line loss) (Tariff Control No. 47465)

New calculation of customer billing EFFECTIVE JANUARY 1, 2018:

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 – Rates

Meter Size	Monthly Minimum Charge (Includes 0 gallons all Meter Sizes)	Gallonge Charge
5/8" or 3/4"	<u>\$ 33.00</u>	<u>\$3.25</u> per 1000 gallons, first 10,000 gallons
1"	<u>\$ 56.00</u>	<u>\$3.45</u> per 1000 gallons, next 10,000 gallons
1 1/2"	<u>\$200.00</u>	<u>\$3.70</u> per 1000 gallons, over 20,000 gallons
2"	<u>\$320.00</u>	
3"	<u>\$375.00</u>	

PASS THROUGH FEES CHARGED BY:

Lone Star Groundwater Conservation District (GCD).....\$0.12* per 1000 gallons

San Jacinto River Authority (SJRA)\$2.93* per 1000 gallons

*(The Pass Through Fees are adjusted for line loss) (Tariff Control No. 47465)

Formula: Adjusted Gallonge Rate (AG) = G + B/(1 - L), where:

- AG = adjusted gallonge charge, rounded to nearest one cent;
- G = approved gallonge (per 1,000 gallons)
- B = change in purchased water/district gallonge charge (per 1,000 gallons)
- L = system average line loss for the preceding 12 months not to exceed 0.15

- G = \$0.07
- B = \$0.045
- L = 3.51%
- AG = 0.07 + 0.045/(1-.0351) = \$0.07 + 0.0466 = \$0.12

EXHIBIT “C-1”

LSGCD Notice of Water Use Fee Rates for Calendar Year 2017



655 Conroe Park North Drive • Conroe, Texas 77303
local 936/494-3436 • metro 936/441-3437 • fax 936/494-3438
e-mail: lsgcd@consolidated.net • www.lonestargcd.org

Kathy Turner Jones
General Manager

Board of
Directors

Richard J. Tramm
President

James M. Stinson, PE
Vice-President

Rick J. Moffatt
Secretary

W. B. Wood
Treasurer

John D. Bleyl, PE

Gregg Hope

Jace A. Houston

Roy McCoy, Jr.

M. Scott Weisinger, PG

July 15, 2016

Re: NOTICE OF WATER USE FEE RATES FOR CALENDAR YEAR 2017

Dear Water Well Permit Holder:

At its July 12, 2016, board meeting, the Board of Directors of the Lone Star Groundwater Conservation District ("District") approved a 7.5 cents per 1,000 gallons Water Use Fee rate for 2017, which applies to the total amount of groundwater you are authorized by permit to produce in calendar year 2017. While the District Rules do not call for adoption of the rate until later in the year, the Board wanted to adopt the rate earlier so that water permit holders, especially public water systems that have to prepare budgets during the remainder of 2016, would have additional notice of the fee rate. The \$0.075/1,000 gallons rate goes into effect on January 1, 2017, and applies to all uses other than "agricultural use" as that term is defined in the District Rules.

The rate represents a penny-and-a-half increase over the 2016 rate. Because of the 2016 groundwater pumping reductions under the District Regulatory Plan, the District's revenues to fund its operations have been reduced by over 30 percent. While there was some discussion of increasing the rate to an amount necessary to equalize the District's revenue to pre-reduction levels, the District's Board instead decided to make budget cuts and utilize reserve funds to bridge the budget gaps in 2016 and 2017, along with this smaller rate increase for 2017. After conducting a five-year forecast of budget and revenue estimates, the District's Budget and Finance Committee recommended the change to the Board. The District will continue to critically examine financial variations in the years to come and adjust the Water Use Fee rate appropriately.

The Water Use Fee rate for agricultural use (\$1.00 per acre-foot) remains unchanged for 2017. The Groundwater Transport Fee for transportation of groundwater out of the District remains a fifty percent (50%) surcharge in addition to the District's water use fee for in-District use. The Minimum Regulatory Water Use Fee remains at \$10.00.

If you have any questions about the 2017 Water Use Fee rates, please feel free to contact the District staff by telephone at (936) 494-3436.

Sincerely,

Kathy Turner Jones
General Manager

KTJ:ktj

EXHIBIT “C-2”

LSGCD Resolution No. 17-006 Adopting 2018 Water Use Fees

RESOLUTION NO. #17-006

LONE STAR GROUNDWATER CONSERVATION DISTRICT

**RESOLUTION ADOPTING 2018 WATER USE FEES FOR THE LONE STAR
GROUNDWATER CONSERVATION DISTRICT PURSUANT TO RULE 9.1 AND
RULE 9.3 OF THE RULES OF THE LONE STAR GROUNDWATER CONSERVATION
DISTRICT**

THE STATE OF TEXAS §

COUNTY OF MONTGOMERY §

WHEREAS, the Lone Star Groundwater Conservation District ("District") was created by the Legislature of the State of Texas in Acts 2001, 77th Leg., R.S., ch. 1321, p. 3246, § 1(a), as amended (the "Enabling Act"), as a groundwater conservation district operating under Chapter 36, Texas Water Code, and the Enabling Act; and

WHEREAS, pursuant to said Act, § 5(a), the District Board of Directors of the District (the "Board") has the permitting and general management powers granted under Chapter 36 of the Texas Water Code;

WHEREAS, § 36.101 of the Texas Water Code authorizes a groundwater conservation district to make and enforce rules to provide for conserving, preserving, protecting, and recharging of the groundwater or of a groundwater reservoir or its subdivisions in order to control subsidence or prevent waste of groundwater and to carry out the powers and duties provided by Chapter 36 of the Texas Water Code;

WHEREAS, the Board of Directors of the District has adopted rules for the District;

WHEREAS, §§ 36.205 and 36.122 of the Texas Water Code and the Act authorize the District to assess fees on the production of groundwater within its jurisdiction and for the transfer of such water for use outside of the District;

WHEREAS, the assessment of such fees serve a legitimate regulatory purpose;

WHEREAS, Rule 9.1 of the rules of the District authorizes the Board of Directors of the District to establish by resolution a regulatory water use fee to accomplish the purposes of the District;

WHEREAS, Rule 9.3 of the rules of the District authorizes the Board of Directors of the District to establish by resolution a groundwater transport fee for the transportation of groundwater out of the District;

WHEREAS, the District Board of Directors and District's Budget & Finance Committee have worked diligently to forecast all reasonably anticipated revenues, expenses, and activities, after giving much consideration to these important factors, has proposed a \$0.03 per 1,000 gallons increase for all groundwater permitted, other than agricultural use and that permitted in the Catahoula Restricted Aquifer for the calendar year 2018;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LONE STAR GROUNDWATER CONSERVATION DISTRICT AS FOLLOWS:

1. A regulatory water use fee of \$1 per acre-foot of groundwater permitted for "agricultural use," as that term is defined by § 36.001(20), TEX. WATER CODE ANN. (Vernon Supp. 2004); a regulatory water use fee of \$0.105 per 1,000 gallons for all uses, other than "agricultural use", of groundwater permitted in the Gulf Coast Aquifer; and a regulatory water use fee of \$0.06 per 1,000 gallons for all uses, other than "agricultural use", of groundwater permitted in the Catahoula Restricted Aquifer, are hereby adopted as the regulatory water use fees of the District for the calendar year 2018. Notwithstanding the previous sentence, in the event that the application of these adopted rates results in a total annual regulatory water use fee payment of less than (\$10.00) for an individual permit issued by the District, the regulatory water use fee payment to be assessed to such a permit shall be the Minimum Regulatory Water Use Fee, which is hereby established as (\$10.00) and so adopted. The District shall impose a 50 percent export surcharge in addition to the District's regulatory water use fee for in-District use for transportation of groundwater for use outside of the District, subject to the Act and District Rules. Such fees set forth above shall be assessed as set forth in the Rules of the District for the time period of January 1, 2018, through December 31, 2018;
2. The regulatory water use and groundwater transport fees so adopted shall be effective January 1, 2018, and continue in effect until modified by the Board of Directors;
3. The regulatory water use and groundwater transport fees so adopted shall supersede any and all such fees previously adopted by Resolution or other action of the Board of Directors; and
4. The General Manager is further authorized to take any and all reasonable action necessary for the implementation of this resolution.

AND IT IS SO ORDERED.

PASSED AND ADOPTED this 8th day of August, 2017.

LONE STAR GROUNDWATER CONSERVATION DISTRICT

By: 
Rick Moffatt, President

ATTEST:

Gregg Hope, Board Secretary

EXHIBIT “D-1”

Calculations and Assumptions used to determine the new rates

LINE LOSS PERCENTAGE CALCULATIONS

MSEC ENTERPRISES
 2017 LINE LOSS CALCULATIONS
 LSGWCD PASS THROUGH RATE

MG Production Summary 2017

Subdivision/PWS	Montgomery Trace	SJRA Surface	Stillwater	Crown Ranch	Subtotal
Jun-16	27.15	21.77	0.26	2.38	51.56
Jul-16	83.04	22.61	0.34	5.16	111.15
Aug-16	49.39	24.61	0.27	3.21	77.48
Sep-16	24.93	37.38	0.26	2.72	65.29
Oct-16	36.18	36.54	0.27	3.04	76.03
Nov-16	13.16	33.70	0.23	1.44	48.53
Dec-16	3.10	28.85	0.23	1.05	33.23
Jan-17	4.42	25.98	0.25	1.04	31.69
Feb-17	1.50	29.74	0.22	1.12	32.58
Mar-17	23.09	25.58	0.25	1.76	50.68
Apr-17	21.96	33.33	0.26	2.13	57.68
May-17	52.24	29.31	0.27	3.61	85.43
Subtotal	340.16	349.40	3.11	28.66	
Total Production (MG)					721.33

The following table documents sales and pumpage on a monthly basis for a 12 month period. Sales information comes from our billing system (SEDC) and the pumpage information is sourced from our plant logs.

Month	Sales (MG)	Production (MG)
Jun-16	55.02	51.56
Jul-16	97.45	111.15
Aug-16	82.52	77.48
Sep-16	66.24	65.29
Oct-16	72.29	76.03
Nov-16	45.88	48.53
Dec-16	31.71	33.23
Jan-17	30.25	31.69
Feb-17	31.51	32.58
Mar-17	45.54	50.68
Apr-17	58.61	57.68
May-17	78.98	85.43
Total	696.00	721.33
Loss	3.51%	

**MSEC ENTERPRISES
2017 LINE LOSS CALCULATIONS
LSGWCD PASS THROUGH RATE**

**LINE LOSS CALCULATION
Jun-16 through May-17**

TOTAL MG Produced	MGP	721.33
TOTAL MG Billed	MGB	696.00
	MGP-MGB	25.33

Line Loss Calculation
=(MGP - MGB)/MGP
=(721.33-696)/721.33
=25.33/721.33

Line Loss % **3.51%**

EXHIBIT “D-2”

Calculations and Assumptions used to determine the new rates

RATE CHANGE CALCULATIONS

	A	B	C	D	E	F	G	H	I
1	EFFECTIVE	1-Jan	2018						
2									
3		$(AG) = G + [B/(1 - L)]$							
4		AG = adjusted gallonage charge, rounded to nearest one cent;							
5		G = approved gallonage charge + GCD Pass through + LSGWCD Pass through, per 1,000 gallons							
6		B = change in fee (per 1,000 gallons);							
7		L = water or sewer line loss for preceding 12 months, not to exceed 0.15 (15%)							
8									
9	G	0.07							
10	B	0.045							
11	L	0.0351							
12	1-L	0.9649							
13	B/1-L	0.046638							
14									
15		G	B/(1-L)	AG	Round				
16	AG =	0.0700	0.046638	0.1166	0.12				
17									
18	AG =	0.12							

EXHIBIT “E”

Rate pages affected by the Pass-Through Rate Change

RATE PAGES

SECTION 1.0 – RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallage Charge</u>
5/8" or 3/4"	\$33.00 (Includes 0 gallons all meters)	\$3.25 per 1000 gallons, 1 st 10,000 gallons
1"	\$56.00	\$3.45 per 1000 gallons, next 10,000 gallons
1½"	\$200.00	\$3.70 per 1000 gallons over 20,000 gallons
2"	\$320.00	
3"	\$375.00	

Lone Star Groundwater Conservation District (GCD) *\$0.07 per 1000 gallons

San Jacinto River Authority (SJRA) *\$2.93 per 1000 gallons
 *(The pass through fees are adjusted for line loss) (Tariff Control No. 47465)

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X, Check X, Money Order X, Credit Card X, Other (specify) _____

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

REGULATORY ASSESSMENT 1.0%
 PUC RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL AND TO REMIT THE FEE TO THE TCEQ.

Section 1.02 - Miscellaneous Fees

TAP FEE \$1,200.00
 TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Unique costs) Actual Cost
 FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

TAP FEE (Large meter) Actual Cost
 TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.

METER TEST FEE \$25.00
 THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THE FEE MAY NOT EXCEED \$25.

Tariff Control No. 47465