



Control Number: 47936



Item Number: 17

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APPLICATION OF MSEC  
ENTERPRISES, INC. TO AMEND A  
WATER CERTIFICATE OF  
CONVENIENCE AND NECESSITY IN  
MONTGOMERY COUNTY

§ 2018 SEP 19 PM 2:04  
PUBLIC UTILITY COMMISSION  
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FILING CLERK OF TEXAS  
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**COMMISSION STAFF'S ERRATA TO ITS FINAL RECOMMENDATION MEMO**

**COMES NOW** the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and files a corrected memorandum from Debbie Reyes of the Water Utilities Division fixing errors contained in the discussion related to Texas Water Code (TWC) § 13.246(c)(6) (West 2016). Staff continues to recommend the application be approved.

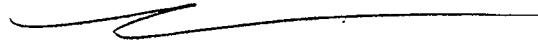
Dated: September 19, 2018

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

Karen S. Hubbard  
Managing Attorney




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Landon J. Lill  
State Bar No. 24092700  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326  
(512) 936-7228  
(512) 936-7268 (facsimile)  
Landon.Lill@puc.texas.gov

**DOCKET NO. 47936**

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on September 19, 2018, in accordance with 16 TAC § 22.74.



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Landon J. Lill

# PUC Interoffice Memorandum

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**To:** Landon Lill, Attorney  
Legal Division

**Thru:** Tammy Benter, Director  
Heidi Graham, Manager  
Water Utilities Regulation Division

**From:** Debbie Reyes, Program Specialist  
Water Utilities Regulation Division

**Date:** September 19, 2018

**Subject:** **Docket 47936**, *Application of MSEC Enterprises, Inc. to Amend a Water Certificate of Convenience and Necessity in Montgomery County*

On January 9, 2018, MSEC Enterprises, Inc., (MSEC or Applicant) filed with the Public Utility Commission of Texas (Commission) an application to amend its water Certificate of Convenience and Necessity (CCN) No. 12887 in Montgomery County, Texas pursuant to Texas Water Code Ann. (TWC), §§ 13.242 - 13.250 and the 16 Tex. Admin Code (TAC) §§ 24.101 - 24.107. The requested area includes approximately 85 total acres and one customer.

The comment period ended June 21, 2018, and no protests or requests to opt out were received.

## **Criteria Considered**

TWC § 13.246(c) requires the Commission to consider nine criteria when granting or amending a CCN. Therefore, the following criteria were considered:

***TWC § 13.246(c)(1) requires the commission to consider the adequacy of service currently provided to the requested area.***

The Applicant has a TCEQ approved public water system (PWS), Montgomery Trace (PWS ID No. 1700638) which is in compliance with TCEQ requirements. The requested area includes one existing customer.

***TWC § 13.246(c)(2) requires the commission to consider the need for service in the requested area.***

The Applicant is currently serving the Genesis Senior Care facility which has requested additional service for a planned expansion. In addition, the Montgomery County Emergency Service District No. 3 has requested that its Fire Station No. 32 be included within MSEC's CCN area, in order to enhance its capabilities as a fire department, to obtain better quality of drinking water, and to bring fire protection services to the area.

***TWC § 13.246(c)(3) requires the commission to consider the effect of granting an amendment on the recipient and on any other retail public utility servicing the proximate area.***

There are no other retail public utilities already serving the proximate area.

***TWC § 13.246(c)(4) requires the commission to consider the ability of the Applicant to provide adequate service.***

The requested area will be served by the Applicant's TCEQ approved public water system, Montgomery Trace (PWS ID No. 1700638) which is in compliance with TCEQ requirements. The Applicant has adequate production, storage, and a distribution system in place to provide service to the requested area.

***TWC § 13.246(c)(5) requires the commission to consider the feasibility of obtaining service from an adjacent retail public utility.***

Notice was provided to the neighboring retail public utilities and no request for hearing was made.

***TWC § 13.246(c)(6) requires the commission to consider the financial ability of the Applicant to pay for facilities necessary to provide continuous and adequate service.***

Pursuant to 16 TAC § 24.11 the criteria are established to demonstrate that an owner or operator of a retail public utility has the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and proposed utility service area. The tests include a leverage test and an operations test.

The Applicant meets the leverage test with a debt service coverage ratio of more than 1.25. Based on the calculations below the Applicant has a debt service coverage ratio of 1.8.

- i. 2016 Principal and Interest = \$1,384,429.
- ii. 2016 Net Operating Income before Depreciation = \$2,492,246.
- iii. 2016 Debt Service Coverage Ratio =  $\$2,492,246/\$1,384,429=1.80$ .

The Applicant meets the operations test. The owner or operator must demonstrate sufficient cash is available to cover any projected operations and maintenance shortages in the first five years of operations. The Applicant has not submitted projections in its application; however, based on the Applicant's 2016 Financial Statements the Applicant had \$824,092 in net margins. Thus, there are no shortages to cover.

***TWC §§ 13.246(7) and (9) require the commission to consider the environmental integrity and the effect on the land to be included in the certificate.***

The Applicant expects that developers of the areas adjacent to the requested area will request service in the near future.

***TWC § 13.246(8) requires the commission to consider the probable improvement in service or lowering of cost to consumers.***

The service and rate provided to the requested area will not change with the amendment.

Staff recommends that the Applicant is capable of providing continuous and adequate service. The Applicant consented to the attached map, tariff and certificate filed on **September 4, 2018**.

Based on the above information, Staff recommends that the Commission issue an order approving the application and provide the attached map and certificate to the Applicant. Staff also recommends the Applicant file a copy of each CCN map along with a written description of the CCN service area in the respective county clerks' offices pursuant to Texas Water Code § 13.257 (r) and (s).