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PUBLIC UTILITY COMMISSION
OF TEXAS

PETITION OF MSEC ENTERPRISES, §
INC. FOR A GOOD CAUSE §
EXCEPTION FROM THE §
REQUIREMENT TO FILE A §
STATEMENT OF INTENT AND §
REQUEST FOR APPROVAL OF A §
TARIFF §
§

PUBLIC UTILITY COMMISSION
OF TEXAS

COMMISSION STAFF’S RECOMMENDATION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and files this Recommendation on Completeness in response to Order No. 1 and would show the following:

I. BACKGROUND

On February 8, 2018, MSEC Enterprises, Inc. (MSEC) filed a petition for a good cause exception from the requirements of 16 Tex. Admin. Code § 24.22 (TAC) in order to add larger meters and accompanying new rates for the larger meters and to approve the related tariff sheet.

On February 9, 2018, the Administrative Law Judge filed Order No. 1 requiring Staff to file comments and recommendations by March 9, 2018. Therefore, this recommendation is timely filed.

II. RECOMMENDATION

As explained in the attached memorandum from Elizabeth English of the Water Utilities Division, Staff recommends that MSEC be granted a good cause exception from the requirement to file a rate change application. The request does not affect any existing customers and the MSEC’s method for calculating bases rates for the larger meter sizes is based on appropriate methods. For these same reasons, no notice is needed.

Staff also recommends that MSEC be ordered to file a rate application within eighteen months of the date it begins providing service to a larger meter size under the rates approved in this filing.

III. CONCLUSION

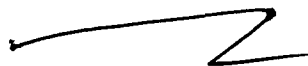
Staff respectfully requests that the ALJ issue an order consistent with Staff's recommendations.

PUBLIC UTILITY COMMISSION
LEGAL DIVISION

Respectfully Submitted,

Margaret Uhlig Pemberton
Division Director

Karen S. Hubbard
Managing Attorney



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DOCKET NO. 48037

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on March 9, 2018, in accordance with P.U.C. Procedural Rule 22.74.



Landon J. Lill

PUC Interoffice Memorandum

To: Landon Lill, Attorney
Legal Division

Thru: Lisa Fuentes, Manager
Water Utility Regulation Division

From: Elisabeth English, Engineering Specialist
Water Utility Regulation Division

Date: March 9, 2018

Subject: **Docket 48037**, *Petition of MSEC Enterprises, Inc. for a Good Cause Exception From the Requirement to File A Statement of Intent and Request For Approval of a Tariff*

On February 8, 2018, MSEC Enterprises, Inc. (MSEC) filed a petition for a good cause exception from the requirement to file a rate change application in order to include larger capacity meters, and the accompanying new rates, pursuant to 16 Tex. Admin. Code (TAC) § 24.22. MSEC has also requested the Commission approve the adjusted tariff sheet reflecting the larger meters and new rates.

Specifically, MSEC has requested to add base rate provisions to its tariff for 4 inch, 6 inch, 8 inch, 10 inch and 12 inch meters without seeking approval through a regular rate change application. MSEC's current Commission-approved tariff, originally implemented in 1997, has provisions for meters ranging in size from 5/8 to 3 inches. MSEC is solely requesting the addition of five (5) new base rate charges for the larger meters. MSEC does not have any current customers with meters larger than 3 inches; therefore, current customers' rates will remain unchanged.

A tariff may be implemented without the need for a rate change application when:

1. The requested change in the tariff meets the criteria of a "*Minor Rate Change*" in accordance with TAC § 24.21 (b)(2); or,
2. The tariff is being implemented by a new market entrant wherein the tariff was approved via an application to obtain a certificate of convenience and necessity (CCN) in accordance with TAC § 24.21 (b)(1).

MSEC's requested tariff amendment does not meet the requirements of the aforementioned criteria; therefore, the requirement to file a complete rate filing package is applicable to the addition of new meter sizes with new base rates. However, the Commission does have the authority to grant a good cause exception to this requirement pursuant to TAC § 24.2(b).

MSEC calculated the proposed base rates for the larger meters using industry standards ("meter equivalencies"). A utility typically has a different rate for a 5/8" and a 3/4" meter. Although MSEC's approved tariff contains only one rate for both 5/8" and 3/4" meters (\$33.00), MSEC hypothetically set a different rate for a 5/8" meter and used this to calculate rates for the larger meters it proposes to include in its tariff.

MSEC's proposed rates are listed in the following table:

Meter Size (inches):	Meter Equivalences:	MSEC Proposed Base Rate:
4"	32.5	\$715
6"	70	\$1,540
8"	120	\$2,640
10"	190	\$4,180
12"	310	\$6,820

Staff agrees with MSEC's proposal that using meter equivalencies is an appropriate method for calculating base rates for larger meters. Additionally, this methodology is employed when reviewing and recommending approvals of tariffs, in accordance with TAC § 24.21 (b)(1), for new market entrants without any historical financial data. The actual cost of service is analyzed during the review process of a rate filing package, which is the purpose of requiring new market entrants to file a rate change application within eighteen months from the date service begins. Prior to analyzing a historic test year, it is unknown whether a utility will over or under collect using the initial rates. Therefore, Staff recommends that the Commission approve the addition of the five additional base rates to MSEC's tariff so it can fulfill the pending service requests. Staff also recommends that MSEC be ordered to file a rate application within eighteen months of the date it begins providing service to a larger meter size under the rates approved in this filing.