



Control Number: 49815



Item Number: 6

Addendum StartPage: 0

TARIFF CONTROL NO. 49815

**APPLICATION OF MSEC
ENTERPRISES, INC. FOR A PASS
THROUGH RATE CHANGE**

§
§
§

**PUBLIC UTILITY COMMISSION
OF TEXAS**

NOTICE OF APPROVAL

This Notice of Approval addresses MSEC Enterprises, Inc.'s application to increase the San Jacinto River Authority (SJRA) pass-through rate from \$2.75 to \$2.93 per 1,000 gallons for customers in the Capitol Hills, Crown Oaks, Grand Lake Estates, Highland Ranch, Hills of Montgomery, Lake Forest Lodge, Lake Forest Lodge South, Legacy Creek Estates, Lakeview, Oaklawn Estates, Old Kentucky Farms, Montgomery Trace, Ridge Lake Shores, Valleywood Acres, Woodforest, and Woodforest Golf Course subdivisions. The Commission approves the SJRA pass-through gallonage charges effective September 1, 2019, at the Commission Staff's recommended rate of \$2.81 per 1,000 gallons.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. MSEC is a domestic for-profit corporation, registered with the Texas secretary of state on July 10, 1997, under filing number 145205000.
2. MSEC provides water services under certificate of convenience and necessity (CCN) number 12887 in Montgomery and Grimes counties.

Application

3. On August 1, 2019, MSEC filed its application to implement the purchased water pass-through clause in its currently approved tariff to recover an increase in the well pumpage fee and surface water fee imposed on the utility by SJRA. On June 27, 2019, SJRA approved an increase in the well pumpage fee and surface water fee charged to MSEC from \$2.64 to \$2.73 per 1,000 gallons and \$2.83 to \$3.15 per 1,000 gallons, respectively.

6

4. MSEC is seeking to pass through the SJRA increase by increasing the pass-through gallonage rate for customers in the Capitol Hills, Crown Oaks, Grand Lake Estates, Highland Ranch, Hills of Montgomery, Lake Forest Lodge, Lake Forest Lodge South, Legacy Creek Estates, Lakeview, Oaklawn Estates, Old Kentucky Farms, Montgomery Trace, Ridge Lake Shores, Valleywood Acres, Woodforest, and Woodforest Golf Course subdivisions from \$2.75 to \$2.93 per 1,000 gallons effective September 1, 2019. The proposed pass-through gallonage rate includes \$0.27 per 1,000 gallons as compensation for line loss of 3.03% and a decrease of \$0.14 per 1,000 gallons to refund an over-recovery associated with Docket No. 47914.¹
5. Commission Staff determined that MSEC's calculations for the proposed pass-through fee are not accurate. Commission Staff recalculated the adjusted gallonage charge to include the correct approved pumpage and surface water fees to be charged by SJRA and prevent over-recovery.
6. Commission Staff recommended an SJRA pass-through rate of \$2.81 per 1,000 gallons, based on the recalculation. Commission Staff discussed the adjustment with MSEC, and MSEC agreed with the recalculation and change.
7. The application contained the affected CCN number, the affected subdivisions, public water system names and corresponding numbers issued by the Texas Commission on Environmental Quality, a copy of the notice to the customers, documentation supporting the stated amounts of any new or modified pass-through costs, historical documentation of line loss for one year, all calculations and assumptions for any true-up of pass-through costs, the calculations and assumptions used to determine the new rates, and a copy of the pages of the utility's tariff that contain the rates that will change if the application is approved.

¹ MSEC Enterprises, Inc.'s True-up Report on Pass-through Rates Approved in Dockets 45485 and 46258. Docket No. 47914, Notice of Approval (Feb. 20, 2018).

8. On September 10, 2019, Commission Staff recommended approval of the application.

Notice

9. On August 1, 2019, MSEC mailed notice to affected customers in the Capitol Hills, Crown Oaks, Grand Lake Estates, Highland Ranch, Hills of Montgomery, Lake Forest Lodge, Lake Forest Lodge South, Legacy Creek Estates, Lakeview, Oaklawn Estates, Old Kentucky Farms, Montgomery Trace, Ridge Lake Shores, Valleywood Acres, Woodforest, and Woodforest Golf Course subdivisions, detailing the SJRA pass-through gallonage charges effective September 1, 2019. MSEC's application filed August 1, 2019, included a copy of the notice to customers.
10. The notice contained the effective date of the change, the present calculation of customer billings, the new calculation of customer billings, the change in charges to MSEC for water use fee, and the following language: "This tariff change is being implemented in accordance with the minor tariff changes allowed by 16 Texas Administrative Code (TAC) § 24.25. The cost to you as a result of this change will not exceed the costs charged to your utility."

Jurisdiction –TWC §§ 13.002(19) and 13.041

11. MSEC is a retail public utility that purchases water.
12. MSEC is under the original jurisdiction of the Commission.

Eligibility for Pass-Through Rate Change – 16 TAC § 24.25

13. The proposed charge will pass through only the actual costs charged to MSEC by its supplier and does not duplicate costs otherwise charged to customers under the current tariff.

Tariff

14. The current tariff was approved by the Commission on January 16, 2019 in Tariff Control No. 48657.² The current tariff prescribes a formula by which the adjusted SJRA pass-through gallonage charge is to be calculated.

² Application of MSEC Enterprises, Inc. for a Pass-through Rate Change, Docket No. 48657, Notice of Approval (Jan. 16, 2019).

15. On September 10, 2019, Commission Staff filed a proposed tariff as an attachment to its recommendation. The proposed tariff reflects the proposed SJRA pass-through gallonage charge increase and contains a SJRA pass-through gallonage charge change provision similar to the current tariff.

Informal Disposition

16. More than 15 days have passed since the completion of notice provided in this docket.
17. No person filed a protest or motion to intervene.
18. Commission Staff and MSEC are the only parties to this proceeding.
19. No party requested a hearing and no hearing is needed.
20. Commission Staff recommended approval of the application.
21. This decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. MSEC is a retail public utility as defined in Texas Water Code (TWC) § 13.002(19) and 16 Texas Administrative Code (TAC) § 24.3(59).
2. The Commission has jurisdiction over the application under TWC § 13.041.
3. The Commission may approve this minor change to MSEC's water tariff under 16 TAC § 24.25.
4. The application meets the requirements set forth in 16 TAC § 24.25.
5. Notice of the application was provided in compliance with 16 TAC § 24.25(b)(2)(F).
6. The Commission processed the application as required by the TWC, the Administrative Procedure Act,³ and Commission rules.
7. The requirements for informal disposition in 16 TAC § 22.35 have been met in this proceeding.

³ Tex. Gov't Code § 2001.

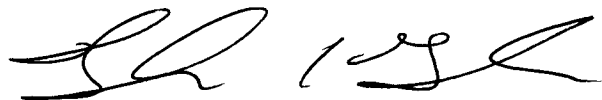
III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The Commission approves MSEC's application to increase its SJRA pass-through gallonage rate change for the well pumpage fee from \$2.75 to \$2.81 per 1,000 gallons, effective September 1, 2019, to customers in the Capitol Hills, Crown Oaks, Grand Lake Estates, Highland Ranch, Hills of Montgomery, Lake Forest Lodge, Lake Forest Lodge South, Legacy Creek Estates, Lakeview, Oaklawn Estates, Old Kentucky Farms, Montgomery Trace, Ridge Lake Shores, Valleywood Acres, Woodforest, and Woodforest Golf Course subdivisions.
2. The Commission approves the proposed tariff attached to Commission Staff's recommendation filed on September 10, 2019.
3. Within ten days after the date of this Notice of Approval, Commission Staff must provide a clean copy of the tariff approved in this Notice of Approval to central records to be marked *Approved* and filed in the Commission's tariff book.
4. If MSEC collects an amount as a result of this pass-through rate increase that is higher than the purchased water costs incurred, MSEC must refund any amounts collected in excess of the purchased water costs.
5. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the 2nd day of October 2019.

PUBLIC UTILITY COMMISSION OF TEXAS



THOMAS C. GRAHAM
ADMINISTRATIVE LAW JUDGE