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APPLICATION OF MSEC WASTE §
WATER, INC. FOR AUTHORITY TO §
CHANGE RATES §

BEFORE THE PUBLIC UTILITY COMMISSION
OF TEXAS

**MSEC WASTE WATER, INC.'S
RESPONSE TO ORDER NO. 10 AND SUPPLEMENT TO APPLICATION**

COMES NOW, MSEC Waste Water, Inc. (MSEC WW or Applicant) and files this Response to Order No. 10 and Supplement to its Application, as required by Order No. 10.¹ This Response and Supplement is timely filed.

On November 6, 2020, the Staff of the Public Utility Commission (Staff) filed its Recommendation on Administrative Completeness of the Application and Notice, along with Staff's Memorandum of the same date. On November 24, 2020, Staff clarified its recommendations to identify two deficiencies in Applicant's filing of March 6, 2020. MSEC WW understands that it will be directed at a later date to provide the additional notice to its customers mentioned by Staff in its memorandum dated November 24, 2020, therefore there are no new materials being provided that address the notice issue.

This filing supplements the Application filed herein on March 6, 2020, and as supplemented on May 6, 2020. Specifically, attached as supplemental information are the following:

1. MSEC WW Income Statement and Balance Sheet (per books) for the test year – attached as Attachment A.
2. Completed Schedule III-6 – Long-Term Debt/Notes Payable for the test year – attached as Attachment B.

MSEC Waste Water, Inc. respectfully requests that its application be deemed administratively complete.

¹ Order No. 10 Finding Application Incomplete and Deficient, Establishing Opportunity to Cure; and Suspending Effective Date (Nov. 17, 2020).

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Respectfully submitted,

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

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GEORGIA N. CRUMP
State Bar No. 05185500

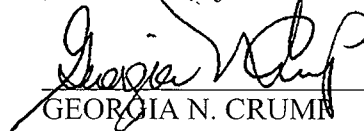
JAMIE L. MAULDIN

State Bar No. 24065694

ATTORNEYS FOR MSEC WASTE WATER,
INC.

CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on November 24, 2020, in accordance with the Order Suspending Rules, issued in Project No. 50664.



GEORGIA N. CRUMP

2. BALANCE SHEETS

<u>ASSETS</u>			
	<u>Per Books</u>	<u>Adjustments</u>	<u>Rate Application</u>
<u>UTILITY PLANT</u>			
101 Utility Plant in Service	\$ 1,593,150	\$ 2,823,679	\$ 4,416,829
103 Property held for Future Use			
105 Construction Work In Progress	16,194	(16,194)	-
114, 115 Net Utility Plant Acquisition Adjustment			
TOTAL UTILITY PLANT	\$ 1,609,343	\$ 2,807,486	\$ 4,416,829
108 Less Accumulated Depreciation	\$ 187,052	\$ 57,526	\$ 244,578
110 Less Accumulated Amortization			
NET UTILITY PLANT	\$ 1,422,292	\$ 2,749,960	\$ 4,172,251
<u>CURRENT ASSETS</u>			
131-135 Cash	\$ -	\$ 31,501	\$ 31,501
141-143 Accounts Receivable	-		
144 Notes Receivable			
144-145 Accounts Receivable-Affiliates/Common Ownership			
151 Plant Materials and Supplies			
162 Prepayments			
171-174 Other Current Assets	333	(333)	-
TOTAL CURRENT ASSETS	\$ 333	\$ 31,168	\$ 31,501
<u>OTHER ASSETS and DEFERRED CHARGES</u>			
181 Deferred Debt Expense			
182-186 Deferred Charges/Debits	76,891	(76,891)	-
190 Accum. Deferred Income Taxes		-	
TOTAL OTHER ASSETS and DEFERRED CHARGES	\$ 76,891	\$ (76,891)	\$ -
TOTAL ASSETS	\$ 1,499,516	\$ 2,704,237	\$ 4,203,752
<u>LIABILITIES & EQUITY</u>			
	<u>Per Books</u>	<u>Adjustments</u>	<u>Rate Application</u>
<u>STOCKHOLDERS' EQUITY</u>			
201 Common Stock			
211 Other paid in capital			
215 Retained Earnings	1,469,351	(1,049,568)	419,782
TOTAL STOCKHOLDERS' EQUITY	\$ 1,469,351	\$ (1,049,568)	\$ 419,782
<u>LONG-TERM DEBT</u>			
224 Long-term debt, excluding current portion		\$ 1,011,458	\$ 1,011,458
<u>CURRENT LIABILITIES</u>			
Current Portion of Long-term Debt			
231 Accounts Payable	\$ 17,341	\$ (17,341)	\$ -
232 Notes Payable			
233, 234 Payables to Affiliates/Common Ownership			
236 Accrued Taxes	661	(661)	-
237 Accrued Interest			
241 0 Other Current Liabilities	(2,131)	2,131	-
TOTAL CURRENT LIABILITIES	\$ 15,871	\$ (15,871)	\$ -
<u>OTHER LIABILITIES and DEFERRED CREDITS</u>			
252 Advances for Construction			
253 Other Deferred Credits	\$ 6,303	\$ (6,303)	\$ -
255 Deferred Investment Tax Credits			
271-272 Net Contributions in Aid of Construction	-	2,762,015	2,762,015
281-283 Accumulated Deferred Inc. Taxes	7,991	2,506	10,497
TOTAL OTHER LIABILITIES and DEFERRED CREDITS	\$ 14,294	\$ 2,758,218	\$ 2,772,512
TOTAL LIABILITIES & EQUITY	\$ 1,499,516	\$ 2,704,237	\$ 4,203,752

4. Statements of Income

	<u>Per Books</u>	<u>Adjustments</u>	<u>Rate Application</u>
1 <u>Total Revenue:</u>	\$ 356,461	\$ 20,643	\$ 377,104
<u>Operating Expenses:</u>			
2 601.1/701.1 O & M Salaried Labor			
3 604/704 Employee Benefits			
4 6/731, 6/735, 6/736 O & M Contract labor	103,776	(2,602)	101,174
5 620/720 Operating/Maint Supplies	5,785	(215)	5,570
6 610/710 Purchased Water			
7 615/715 Purchased Power	71,456	-	71,456
8 635/735 Testing Expense			
9 618/718 Chemicals	2,758	-	2,758
10 656-659/756-759 Insurance	-	1,017	1,017
11 601.2/701.2 General Office Salaries			
12 650/750 Transportation	41,748	-	41,748
13 675 General Office Expenses	3,040	(3,040)	-
14 632, 633, 634 Contract Acctg, legal, Mgmt			
15 666 Amortization- Rate Case Expense			
16 403 Depreciation Expense	8,080	43,195	51,275
17 667-675 Other Misc. Expenses	23,356	4,925	28,280
<u>Taxes:</u>			
18 409 Federal Income Taxes	-	5,984	5,984
19 409 State Franchise Taxes/Reg Assess.			
20 408 All Other Taxes			
21 <u>Total Expenses</u>	\$ 259,998	\$ 49,265	\$ 309,263
22 <u>Net Operating Income</u>	\$ 96,463	\$ (28,622)	\$ 67,841
23 421, 433 Non-Operating Income			
<u>Non-Operating Deductions:</u>			
25 426 Other			
26 427 Interest	-	44,798	44,798
27 <u>Net Income</u>	\$ 96,463	\$ (73,420)	\$ 23,043

UTILITY NAME MSEC Waste Water, Inc
 SCHEDULES - CLASS C RATE/TARIFF CHANGE
III-6 LONG TERM DEBT/ NOTES PAYABLE – WATER AND SEWER
 FOR THE YEAR ENDED 9/30/2019

List the following information concerning debt and equity of the utility and attach copies of notes payable used. Round all percentages to two (2) decimal places. If debt from affiliated interests is allocated to the utility, provide workpapers demonstrating and justifying the allocation.

A	B	C	D	E	F	G	H
Long Term Debt Name of Bank/Lender	Date of Issue	Date of Maturity	Original Amount of Loan	Outstanding or Unpaid Balance-End of Test Year	Interest Rate	Weighted Issuances [G=Column E /Total Column E]	Weighted Average [H=Column G x Column F]
1 CoBank	6/20/2015	12/20/2033	\$ 5,173,595.44	\$ 4,432,048.64	4.517%	12.83%	0.58%
2 CoBank	4/24/2014	12/20/2036	2,818,126.33	2,313,580.81	4.778%	6.70%	0.32%
3 CoBank	4/24/2014	12/20/2037	2,320,477.14	1,929,696.85	4.611%	5.58%	0.26%
4 CoBank	10/1/2014	9/20/2044	2,800,000.00	2,576,319.25	5.092%	7.46%	0.38%
5 CoBank	6/20/2015	12/20/2033	5,173,595.44	4,432,048.64	5.112%	12.83%	0.66%
6 CoBank	12/21/2016	12/20/2046	2,500,000.00	2,391,674.26	4.832%	6.92%	0.33%
7 CoBank	7/24/2017	6/20/2047	3,000,000.00	2,890,722.08	4.593%	8.37%	0.38%
8 CoBank	3/28/2018	3/20/2048	4,026,404.56	3,940,460.08	5.180%	11.40%	0.59%
9 CoBank	7/19/2019	6/20/2049	3,000,000.00	2,988,195.45	4.380%	8.65%	0.38%
10 CoBank	4/24/2014	1/31/2018	6,657,431.48	6,657,431.48	2.840%	19.27%	0.55%
11 Total			\$ 37,469,630.39	\$ 34,552,177.54		100.00%	4.43%

Column H To Sch III-1, Column D, Line 4

List short term debt, if any:

Attachment B