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PETITION BY RESIDENTS OF GRAND	§	BEFORE THE
LAKES MUNICIPAL UTILITY DISTRICT	§	
NO. 2 APPEALING THE WATER RATES	§	PUBLIC UTILITY COMMISSION
ESTABLISHED BY THE DISTRICT'S	§	
BOARD OF DIRECTORS	§	OF TEXAS

BRIEF ON THE RELEVANCE OF ALL GRAND LAKES WATER DISTRICTS IN THE CASE

I. Introduction

(1) This brief is meant to address two topics: [i] Importance of data related to all four water districts in Grand Lakes; three MUDs and a WCID. [ii] Importance of the costs of all Grand Lakes MUDs in the determination of water/wastewater rates. The MUD's attorneys argue that such matters are irrelevant to the justness and reasonableness of the rates, so that the requests for information must be denied. Petitioners respond: So, what is it that is material in this case? What is it that the Commission can base its assessment on, besides the bogus rate order document itself?

II. Relevance of All Grand Lakes Water Districts

(2) The three Grand Lakes MUDs have joint ownership of a water plant, wastewater treatment plant, and a reclaimed water distribution system (RWDS). Copied from pp. 21 to 23 of the Grand Lakes MUD No. 2 Audit Report for 2023 [56589-12], the MUDs' ownership percentages are summarized below.

Grand Lakes MUD	No. 4	No. 1	No. 2
Water Plant	48.746%	29.708%	21.546%
Wastewater Treatment Plant	49.820%	29.100%	21.080%
Reclaimed Water Distribution System (RWDS)	36.858%	24.146%	38.996%

(3) In their response [56589-138 (7/17/2024)] to RFI No. 9 [56589-75 (6/27/2024)], the MUD stated: "MUD No. 4's actual costs to operate and maintain facilities determine the [water/wastewater] prices; MUD No. 4 determines the [water/wastewater] prices; MUD No. 4 approves the [water/wastewater] prices; and MUD No. 4's public records document the [water/wastewater] prices." This means that Grand Lakes MUD No. 4 claims some costs and determines and approves some water/wastewater prices, then issues invoices to MUD No. 1 and MUD No. 2 requesting payment of their share of the alleged costs within 30 or so days. Accordingly, every element in the MUD No. 4 balance sheet impacts the costs of the other two Grand Lakes MUDs (MUD No. 1 and MUD No. 2). Every element in the MUD No. 4 balance sheet is relevant in the instant case before the Commission.

(4) The three Grand Lakes MUDs share expenses on joint projects and services, sometimes engaging the Grand Lakes Community Association (GLCA). Money is transferred from MUD No. 2 and MUD No. 1

to MUD No. 4 as their share of certain costs and services. The MUD's response [56589-138 (7/17/2024)] to RFI No. 9 presented a printout showing the following amounts of money paid by Grand Lakes MUD No. 2 to Grand Lakes MUD No. 4 during the six years, 2018 to 2023.

- Street Lights	\$577,297
- Stormwater Management	\$45,131
- Water Plant Improvements	\$393,517
Total	\$1,015,945

(5) The Grand Lakes Community Association serves the entire Grand Lakes community with 2,739 homes—682 homes within MUD No. 2, 985 homes within MUD No. 4, and 1,072 homes within MUD No. 1. All three Grand Lakes MUDs transfer money to the Community Association for work on shared projects, security services, etc. The MUD's response [56589-139 (7/17/2024)] to RFI No. 10 presented a printout showing \$1,621,161 paid by Grand Lakes MUD No. 2 to the GLCA over the six years, 2018 to 2023. One item in the amount of \$415,620 reads 'GLCA Reimbursement' without any specificity. That is how much indifferent the MUD's Board, Attorney, and Bookkeeper have become.

2018-2023	Sheriff Patrol Fees	\$829,737
11/21/2023	Park Landscaping	\$183,116
07/18/2023	Community Projects – HOA	\$68,796
05/16/2023	Park Pergola Reimbursement	\$121,550
05/17/2021	GLCA Reimbursement	\$415,620
01/20/2020	Sidewalk Repairs	\$2,342
Total		\$1,621,161

(6) Despite all this, the MUD's attorneys argue that the payments the Grand Lakes MUDs make to the Community Association and the payments they make to MUD No. 4 all are irrelevant to the case before the Commission. No sensible observer will ever respect this futility. The amounts listed in the previous two paragraphs total \$2,637,106. Those are uncontrolled amounts and impact the MUD's (MUD No. 2) costs by an average of \$439,518 per year. With all the joint plants and shared projects and services, how can the payments to the Community Association and MUD No. 4 be irrelevant?!

III. Relevance of the MUD's Costs

(7) Below we develop a simplistic example to prove the relevance of costs in the determination of water/wastewater rates. Assuming that the Grand Lakes MUD No. 2 has \$3M in annual revenues and \$3.3M in expenses, the MUD would be having \$300k in deficit that the MUD is attempting to recover by increasing the water / wastewater rates. With 682 customers and a usage of 8,000 gallons per customer per month, recovering the deficit would mean a water rate of \$4.58 per 1,000 gallons.

Revenues, \$/yr	Expenses, \$/yr	Deficit, \$/yr	Customers	gal/cust/mo	gal/cust/yr	gal/yr	1,000 gal/yr	\$/1,000 gal
3,000,000	3,300,000	300,000	682	8,000	96,000	65,472,000	65,472	4.58

(8) Then if the MUD decides to bring in revenue from a flat rate wastewater fee at \$20 per customer per month, the wastewater fee would bring us \$163,680 per year, so that the deficit is reduced from \$300,000 to \$136,320. This amount can then be recovered by setting the water rate at \$2.08 per 1,000 gallons.

Revenues, \$/yr	Expenses, \$/yr	Deficit, \$/yr	Customers	gal/cust/mo	gal/cust/yr	gal/yr	1,000 gal/yr	\$/1,000 gal
3,000,000	3,300,000	300,000	682	8,000	96,000	65,472,000	65,472	4.58
WstWtr fee, \$/mo	WstWtr rev, \$/yr	Rev. Deficit, \$/yr	Customers	gal/cust/mo	gal/cust/yr	gal/yr	1,000 gal/yr	\$/1,000 gal
20	163,680	136,320	682	8,000	96,000	65,472,000	65,472	2.08

IV. Observations and Remarks

(9) Looking at the example in section III, it is obvious that the deficit, which is the result of reduced revenues or increased expenses or both, decided the rates. But the MUD – through its indifferent Board and compromised Attorney, Operator (Water Company), and Consultants – want everybody to believe that the deficit is only cured by increasing the MUD’s revenues through increased rates. Conscientious residents contend that a deficit need not be there in the first place. With reference to paragraphs 4 and 5 above, how is the MUD controlling its costs and expenses; how is the MUD getting rid of all unnecessary expenditures; when will the MUD conduct due diligence; when will the MUD enforce competitive bidding; and when will the MUD stop executing fantasy projects at extravagant prices?

(10) In our brief [56589-68] and RFI No. 15 [56589-98], we documented that the three Grand Lakes MUDs spent in 2023 a *huge* amount of money (\$1,114,651) on additional (Sheriff + Constable) security services from Fort Bend County. Additional means on top of the *standard* Sheriff and Constable security services that the community must get as part of our annual Fort Bend County General Fund tax, and on top of the *standard* Police security services that the community must get as part of our annual Katy ISD tax. It is indisputable that such *appalling, unnecessary* spending impacts the Grand Lakes MUDs’ costs and water/wastewater rates. Who decided that such service is needed and why? Did this money truly end up with the Sheriff and Constable?

(11) In our brief [56589-140], we showed that a *very, very* basic landscaping project was invoiced at over \$40k when it could have been done at \$1k.

(12) Grand Lakes MUD No. 2 has no debt and abundance of money (\$7.8m in 2022 and \$9.1m in 2023) in cash, certificates of deposit, and short-term investments in Texas CLASS, which also generated an interest income (\$39k in 2022 and \$393k in 2023). See page 21/42 of the MUD’s Audit Reports for 2022 and 2023 [56589-12].

(13) There is no credibility, reliability, or legitimacy to the claim that the only way to recover a deficit due to reduced revenues or increased costs or both, is by increasing the water/wastewater rates.

(14) In conclusion, the indifference and lack of conscience are appalling. The Grand Lakes MUDs' Consultants do not care because this is business for them. They want, and do everything possible, to put the Grand Lakes MUDs in debt so that their business is sustained. The Grand Lakes MUDs' Boards are answerable; they must be held accountable; they must be brought to justice.

V. The State's Duty to Enforce Accountability and Secure Justice

(15) The Grand Lakes MUDs and WCID could easily be one water district to save enormous amounts in 'multiplicate' expenses. They are, however, being kept as four separate entities even though they are administered by the same Consultants: the Attorney (the law firm Schwartz, Page & Harding LLP), the water company (Municipal District Services), etc. The Consultants benefit tremendously from this questionable arrangement and are exploiting it to the fullest.

(16) The MUD's Attorney (the law firm Schwartz, Page & Harding LLP) administers all three Grand Lakes MUDs and the WCID. The state presents MUDs as local governments and political subdivisions of the state, but the Grand Lakes MUDs / WCID have, for many years, become private entities owned and operated by the law firm Schwartz, Page & Harding LLP and attorney Christopher T. Skinner. The Grand Lakes residents pay the paralegals and legal assistants at the MUD's Attorney four salaries for doing a great job helping the Grand Lakes MUDs / WCID become questionable private enterprises.

(17) The absence of state agencies is destructive. The problem is very big—the problem is the MUD's Board, Attorney, Operator (Water Company), and Consultants, who exploit the scheme to the fullest; get paid to drive the business but work on accomplishing the very opposite because their business interests rely on such; never scrutinize estimates, costs, and invoices; never bother about cost control; never conduct due diligence; execute projects at extravagant prices (20 to 50 times the actual worth); bring in contractors to present fantasy projects of no use or value at price tags of \$250k and higher; give donations to schools when the residents pay an enormous ISD annual tax; and much more. All this is orchestrated by the MUD's Attorney (the law firm Schwartz, Page & Harding LLP), namely the lead attorney, the associate, the paralegal, and other legal assistants.

(18) The Grand Lakes MUDs and WCID must be forced into receivership, not because they are unable to pay their expenses but because they are troubled with appalling, conscious mismanagement, indifference, imprudence, arbitrariness, irregularities, improprieties, wrongdoing, and more. The four boards, the law firm Schwartz, Page & Harding LLP, the water company (Municipal District Services), the Bookkeeper, the Auditor, and the Engineer must be instantly removed. Without such action, the State is turning a blind eye to wrongdoing that has lasted over 20 years by now.

Katy, Texas on the 19th day of July 2024.

Respectfully submitted,

on behalf of Grand Lakes MUD No. 2 ratepayers



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CERTIFICATE OF SERVICE

I certify that the filing of this pleading is notified to all parties of record via e-mail on July 19, 2024.



George J. Wakileh, Ph.D.