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Filing Date - 2025-01-03 02:16:59 PM

Control Number - 56918

Item Number - 10

TARIFF CONTROL NO. 56918

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

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**PUBLIC UTILITY COMMISSION

OF TEXAS**

NOTICE OF APPROVAL

This Notice of Approval addresses the application of MSEC Enterprises, Inc. for approval of a pass-through rate change related to groundwater reduction plan fees imposed on MSEC by the San Jacinto River Authority (SJRA). The pass-through rate change affects those customers within the service area of the following subdivisions: Capitol Hills, Crown Oaks, Crown Ranch, 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, Stillwater Estates, Valleywood Acres, Woodforest, and Woodforest Golf Course. The Commission approves the requested pass-through rate changes, effective September 1, 2024, to the extent provided in this Notice of Approval.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. MSEC is a Texas corporation registered with the Texas secretary of state under filing number 145205000.
2. MSEC holds certificate of convenience and necessity (CCN) number 12887, which obligates MSEC to provide retail water service in its certificated service area in Grimes and Montgomery counties.
3. MSEC owns and operates the following public water systems:
 - a. the Montgomery Trace Water System, which is registered with the Texas Commission on Environmental Quality (TCEQ) under identification number WQ1700638 and serves 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;

- b. the Crown Ranch Water System, which is registered with the TCEQ under identification number WQ1700781 and serves customers in the Crown Ranch subdivision; and
- c. the Stillwater Estates Water System, which is registered with the TCEQ under identification number WQ1700677 and serves customers in the Stillwater Estates subdivision.

Application

- 4. On August 5, 2024, MSEC filed the application at issue in the proceeding.
- 5. In its application, MSEC seeks approval of an adjustment to the pass-through rate in its approved tariff for certain subdivisions, effective September 1, 2024. Specifically, MSEC seeks a pass-through rate change for a decrease in the pumpage and import fee and the surface water fee.
- 6. MSEC seeks an adjustment to the pass-through rate in its approved tariff for the following subdivisions:

Subdivision	Public Water System ID Number
Capitol Hills	1700638
Crown Oaks	1700638
Crown Ranch	1700781
Grand Lake Estates	1700638
Highland Ranch	1700638
Hills of Montgomery	1700638
Lake Forest Lodge	1700638
Lake Forest Lodge South	1700638
Legacy Creek Estates	1700638
Lakeview	1700638
Oaklawn Estates	1700638
Old Kentucky Farms	1700638
Montgomery Trace	1700638
Ridge Lake Shores	1700638
Stillwater Estates	1700677
Valleywood Acres	1700638
Woodforest	1700638
Woodforest Golf Course	1700638

7. MSEC's requested changes are a result of a decrease to the pumpage and import fee and surface water fee billed by SJRA.
8. Effective September 1, 2024, SJRA decreased the pumpage import fee from \$2.99 per one thousand gallons to \$2.67 per one thousand gallons.
9. Effective September 1, 2024, SJRA decreased the surface water fee from \$3.41 per one thousand gallons to \$3.26 per one thousand gallons.
10. The application contained the affected CCN number, the affected subdivisions, the affected public water system names and corresponding numbers issued by the TCEQ, 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 MSEC's tariff that contain the rates that will change if MSEC's application is approved.
11. In Order No. 2 filed on September 4, 2024, the administrative law judge (ALJ) found the application administratively complete.

Notice

12. On or about August 5, 2024, MSEC mailed notice to all affected customers, detailing the pass-through rate change, effective September 1, 2024.
13. 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 pumpage and import and surface water fees, 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."
14. In Order No. 2 filed on September 4, 2024, the ALJ found the notice of the proposed pass-through rate change sufficient.

Evidentiary Record

15. In Order No. 3 filed on December 19, 2024, the ALJ admitted the following evidence into the record of this proceeding:

- a. The application of MSEC for a pass-through rate change, and all attachments filed on August 5, 2024;
- b. Commission Staff's recommendation on administrative completeness of the application, notice, and proposed procedural schedule filed on September 4, 2024; and
- c. Commission Staff's final recommendation, and all attachments filed on November 7, 2024.

Eligibility for Pass-Through Rate Change

16. The proposed pass-through rate will pass through only the actual costs charged to MSEC by SJRA and does not duplicate costs otherwise charged to customers under the current tariff.

Tariff

17. MSEC's current pass-through fees for the subdivisions affected by this application were approved by the Commission on November 28, 2022, in Tariff Control No. 53912.¹
18. MSEC's current tariff prescribes a formula by which changes in pass-through fees are to be calculated.
19. On November 7, 2024, Commission Staff filed a proposed tariff for this case as an attachment to its final recommendation on the application and notice. The proposed tariff reflects the pass-through fee approved in this Notice of Approval.

Informal Disposition

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

¹ *Application of MSEC Enterprises, Inc. For a Pass-Through Rate Change*, Tariff Control No. 53912, Notice of Approval, (Nov. 28, 2022).

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. The Commission has authority over the application under Texas Water Code (TWC) § 13.041.
2. MSEC is a retail public utility as defined in TWC § 13.002(19) and 16 TAC § 24.3(31), and a utility as defined by TWC § 13.002(23) and 16 TAC § 24.3(38).
3. The Commission may approve this minor change to MSEC's water tariff under 16 TAC § 24.25(b)(2)(A)(vii).
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)(ii).
6. The Commission processed the application as required by the TWC, the Administrative Procedure Act,² and Commission rules.
7. The requirements for informal disposition in 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

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

1. The Commission approves a pass-through rate decrease from \$3.64 per one thousand gallons to \$2.50 per one thousand gallons, effective September 1, 2024, for customers in the Capitol Hills, Crown Oaks, Crown Ranch, Grand Lakes 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, Stillwater Estates, Valleywood Acres, Woodforest, and Woodforest Golf Course subdivisions.
2. The Commission approves the tariff attached to Commission Staff's final recommendation filed on November 7, 2024.

² Tex. Gov't Code §§ 2001.001-.903.

3. Within ten days after the date of this Notice of Approval, Commission Staff must provide the Commission with a clean copy of the tariff to be stamped *Approved* and retained by Central Records.
4. If MSEC collects an amount as a result of this pass-through rate change 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 on the 3rd day of January 2025.

PUBLIC UTILITY COMMISSION OF TEXAS



REBECCA NASH WHITE
ADMINISTRATIVE LAW JUDGE