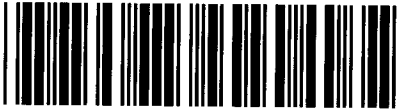


Control Number: 43253



Item Number: 56

Addendum StartPage: 0

DOCKET NO. 43253

RECEIVED

2016 MAY 10 PM 2:36

APPLICATION OF THE CITY OF SCHERTZ TO AMEND ITS SEWER CERTIFICATE OF CONVENIENCE AND NECESSITY IN BEXAR COUNTY (37913-C)	§ § § § §	PUBLIC UTILITY COMMISSION OF TEXAS
---	----------------------------------	---

COMMISSION STAFF'S RECOMMENDATION ON FINAL DISPOSITION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this response to Order No. 17, Commission Staff's Recommendation on Final Disposition. In support thereof, Staff would show the following:

I. BACKGROUND

On May 9, 2014, the City of Schertz (Schertz) filed an application with the Texas Commission on Environmental Quality (TCEQ) to amend its sewer certificate of convenience and necessity (CCN) no. 20271 in Bexar County, Texas. The Public Utility Commission of Texas (Commission) received the application on September 22, 2014.

In Order No. 17, issued on March 24, 2016, the Commission administrative law judge (ALJ) reaffirmed the deadlines of the procedural schedule from Order No. 16, which required Staff to file its final recommendation by May 10, 2016. Therefore, this pleading is timely filed.

II. STAFF'S RECOMMENDATION ON FINAL DISPOSITION

Staff has reviewed Schertz's application and as detailed in Attachment A, the memorandum of Mary Lupo and Patricia Garcia of the Water Utilities Division, Staff respectfully recommends that the Application be approved. In accordance with this recommendation, the corresponding service area maps and new certificate are attached as Attachments B and C.

III. CONCLUSION

For the reasons stated above, Staff respectfully recommends that Schertz's application to amend their sewer CCN no. 20271 be approved. On or before May 31, 2016, the parties will jointly file proposed findings of fact and legal conclusions.

56

Dated: May 10, 2016

Respectfully Submitted,

Margaret Uhlig Pemberton
Division Director - Legal Division

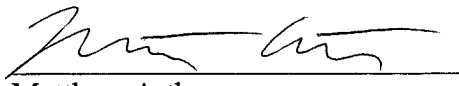
Katherine Lengieza Gross
Managing Attorney - Legal Division



Matthew Arth
Attorney - Legal Division
State Bar No. 24090806
(512) 936-7021
(512) 936-7268 (facsimile)
matthew.arth@puc.texas.gov
Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

DOCKET NO. 43253
CERTIFICATE OF SERVICE

I, Matthew Arth, Attorney – Legal Division of the Public Utility Commission of Texas, certify that a copy of this document was served on all parties of record in this proceeding on May 10, 2016 in the following manner: mail.



Matthew Arth

Attachment A

PUC Interoffice Memorandum

To: Matthew Arth, Attorney
Legal Division

Through: Tammy Benter, Director
Lisa Fuentes, Manager
Water Utilities Division

From: Mary Lupo, Financial Analyst
Patricia Garcia, Engineering Specialist
Water Utilities Division

Date: May 5, 2016

Subject: **Docket No. 43253**, *Application of the City of Schertz to Amend Sewer Certificate of Convenience and Necessity in Bexar County (37913-C)*

Background

On May 9, 2014, the City of Schertz ("City" or "Applicant") filed an application with the Texas Commission on Environmental Quality (TCEQ) to amend its sewer Certificate of Convenience and Necessity (CCN) No. 20271 in Bexar and Guadalupe Counties. On September 1, 2014, water and sewer rates and CCN programs were transferred from the TCEQ to the Public Utility Commission of Texas (PUC). This application was part of the transfer and is now under the PUC's jurisdiction. This application is being reviewed pursuant to Texas Water Code (TWC) §§ 13.241-.254 and 16 Tex. Admin. Code (TAC) §§ 24.101-.120.

The City is requesting dual certification with a portion of sewer CCN No. 20852 held by San Antonio River Authority (SARA) and to decertify approximately 312 acres of their existing sewer CCN No. 20271.

The City mailed notice regarding the application to neighboring utilities and landowners on May 15, 2015. In addition, notice was published in the *San Antonio Express-News* on May 15 and May 22, 2015. The comment period expired on June 21, 2015, and no protests were received during the comment period.

As further detailed below, Staff has reviewed the materials submitted by the applicant and recommends that the City of Schertz has sufficiently demonstrated adequate financial and managerial capabilities to provide service to the areas being requested.

Factors Reviewed

TWC § 13.246(c) requires the Commission to consider nine criteria when granting or amending a CCN. Therefore, the following criteria were considered:

- TWC § 13.246(c)(1) requires the Commission to consider the adequacy of service currently provided to the requested area. Currently, there is no sewer service in the proposed area; the area is being served only by on-site sewage facilities (OSSF).
- TWC § 13.246(c)(2) requires the Commission to consider the need for service in the

requested area. There are already people living in the proposed area. The customers are currently on OSSFs. The City will provide collection service to the area. This is needed because the area is changing from rural to urban and, consistent with the City's Comprehensive Plan, OSSFs are not adequate to provide for the needs of the area. Therefore, there is a need for service in the requested area.

- TWC § 13.246(c)(3) requires the Commission to consider the effect of granting an amendment on the recipient and on any other retail water utility servicing the proximate area. If approved, the City's CCN will be amended both to reflect dual certification with a portion of SARA's CCN No. 20852 and to reflect the decertification of approximately 312 acres from its existing CCN. The applicant, confirmed that there are no sewer customers in the area of decertification.
- TWC § 13.246(c)(4) requires the Commission to consider the ability of the applicant to provide adequate service. The City has submitted engineering plans to TCEQ and the plans have been conditionally approved. In addition, the City employs experienced operators that are knowledgeable about sewer operations and the PUC's requirements for continuous and adequate service.
- TWC § 13.246(c)(5) requires the Commission to consider the feasibility of obtaining service from an adjacent retail public utility. The area requested is inside the City's corporate limits. The City and SARA have an agreement for dual certification for a portion of SARA's service area in CCN No. 20852. SARA confirmed that they do not have the ability to serve the area. Therefore, Staff agrees that the best option is for the City to serve the area.
- TWC § 13.246(c)(6) requires the Commission to consider the financial ability of the applicant to pay for facilities necessary to provide continuous and adequate service. Staff has reviewed the City's 2014 audited financial statements. The statements include an unqualified auditor's opinion that the financial statements are presented fairly and in accordance with the generally accepted accounting principles (GAAP) as of September 30, 2014. Total net assets of the City were \$152 million for all the City's primary funds. The City's total debt-to-net-position (equity) ratio was \$ 67.5 million to \$ 152 million, or 0.44 to 1.00. A ratio of less than 1 to 1 is preferred for analysis of financial and managerial capabilities. For the City's Proprietary funds, operating income was \$ 2.2 million and depreciation expenses were \$ 2.1 million. Principle and interest expenses on long term debt for the 2015 fiscal year will be \$1.6 million for the City's Proprietary funds, as indicated in note 9 of the City's financial statements. Therefore, the debt service coverage ratio is \$ 4.3 million to \$ 1.6 million, or 2.69 to 1.00. A ratio of at least 1.25 to 1.00 is preferred when reviewing financial capability in order to ensure that reserve funds are built up and maintained for debt payments and repairs and maintenance. Additionally the City's utility bonds are rated A+ by Moody's, which indicates that the City has a very strong capacity to meet its financial commitments and has the capacity to leverage more debt if improvements are required in the future. These factors indicate that the City is financially stable and that it has the financial ability to pay for needed facilities.
- TWC §§ 13.246(c)(7) and (9) require the Commission to consider the application's effect on environmental integrity and the effect on the land to be included in the requested certificated area. Sewer mains will be constructed when development of property begins. The land will be temporarily affected during construction.
- TWC § 13.246(c)(8) requires the Commission to consider the probable improvement in

service or lowering of cost to consumers. Currently, there is no sewer service provided in the proposed area; the area is being served only by OSSFs. Therefore, the provision of future wastewater service in the requested service area will be an improvement in service.

The City has fulfilled the requirements of 16 TAC § 24.102(a)(2) and therefore has the financial, managerial and technical capability to provide continuous and adequate service.

The City has met the requirements of TWC §§ 13.241-.254 and 16 TAC §§ 24.101-.120. Staff recommends that approving this application to amend CCN No. 20271 is necessary for the service, accommodation, convenience and safety of the public. These conclusions are based on information provided by the Applicant prior to this date and may not reflect any changes in the Applicants' status subsequent to this date.

The City consented to the attached service area map and new certificate on May 4, 2016.

Conclusion

Based on the above review, Staff recommends approval of the application. Staff further recommends that the City file a certified copy of the CCN map, along with a written description of the CCN service area, in the county clerk's office as required by TWC §§ 13.257(r) and (s).




Attachment B

City of Schertz
 Portion of Sewer Service Area
 CCN No. 20271
 PUC Docket No. 43253
 Amended CCN No. 20271 and
 Obtained Dual Certification with San Antonio River Authority, CCN No. 20852 in Bexar County



Public Utility Commission of Texas
 1701 N. Congress Ave
 Austin, TX 78701

Sewer CCN Service Areas

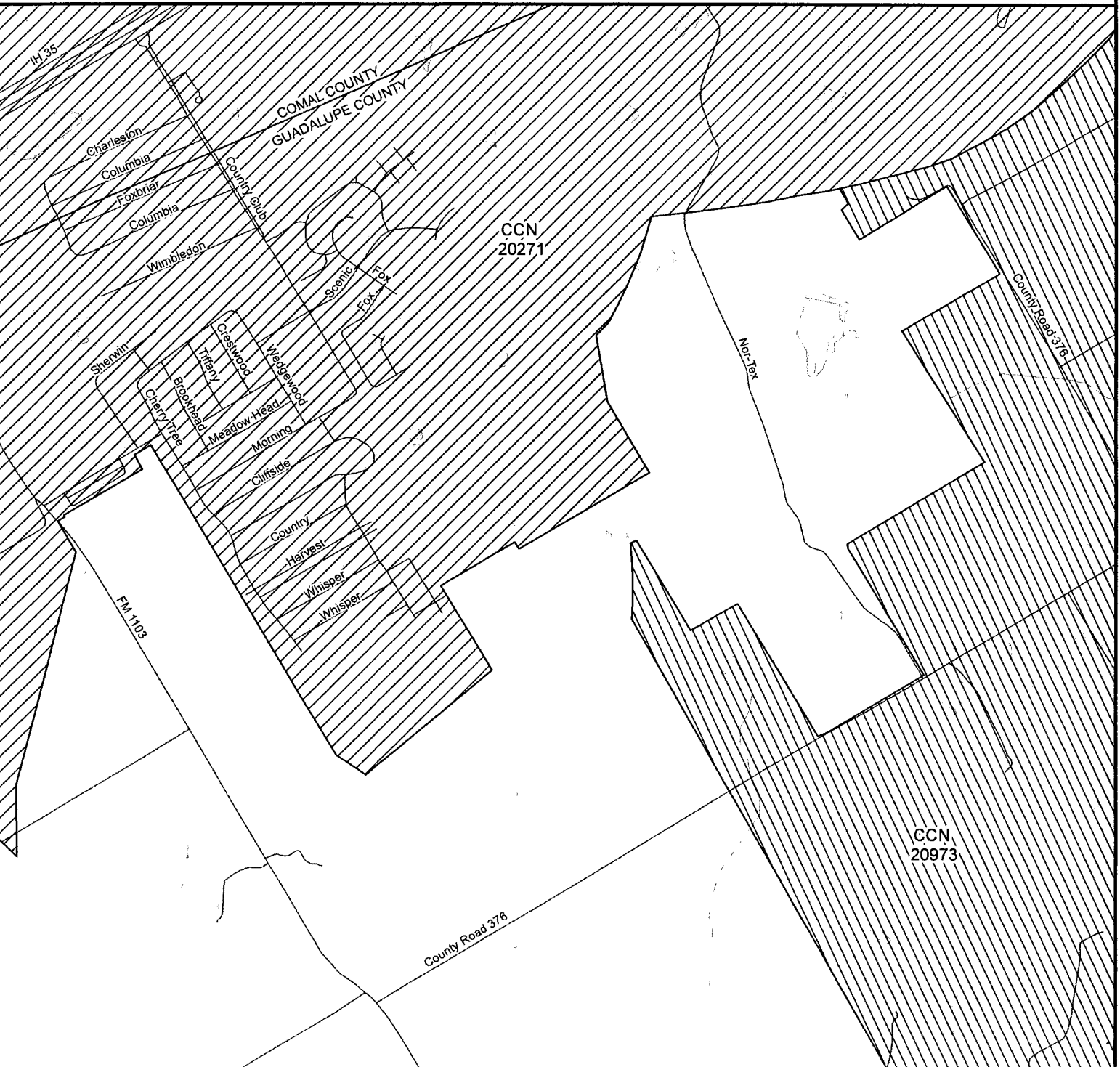
-  20271 - City of Schertz
-  20852 - San Antonio River Authority
-  20286 - City of Converse

0 1,500 3,000
 Feet



Map by: Komal Patel
 Date created: April 14, 2016
 Project Path: n:\finalmapping\43253CityofSchertzBexar.mxd

City of Schertz
Portion of Sewer Service Area
CCN No. 20271
PUC Docket No. 43253
Amended CCN No. 20271 in Guadalupe County



0 700 1,400
Feet



Sewer CCN Service Areas



20271 - City of Schertz

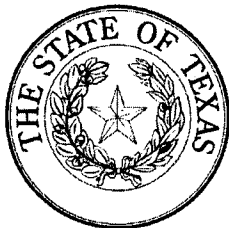


20973 - Green Valley SUD

Map by: Komal Patel
Date updated: May 3, 2016

Project Path: n:\finalmapping\43253CityofSchertzGuadalupeUPDATED.mxd

Attachment C



Public Utility Commission of Texas

By These Presents Be It Known To All That

City of Schertz

having obtained certification to provide sewer utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, City of Schertz is entitled to this

Certificate of Convenience and Necessity No. 20271

to provide continuous and adequate sewer utility service to that service area or those service areas in Bexar, Comal, and Guadalupe Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 43253 are on file at the Commission offices in Austin, Texas; and are a matter of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of City of Schertz to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, the _____ day of _____ 2016.