



Control Number: 44816



Item Number: 50

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APPLICATION OF SHARON §
WATER SUPPLY CORPORATION §
TO AMEND ITS CERTIFICATE OF §
CONVENIENCE AND NECESSITY §
IN UPSHUR AND WOOD COUNTIES §

PUBLIC UTILITY COMMISSION
OF TEXAS

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COMMISSION STAFF'S FINAL RECOMMENDATION

COMES NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest and files this Final Recommendation. In support thereof, Staff would show the following:

I. BACKGROUND

On June 8, 2015, Sharon Water Supply Corporation (Sharon WSC or Applicant) filed with the Public Utility Commission of Texas (Commission) an application (Application) to amend its water certificate of convenience (CCN) No. 10476 in Upshur and Wood Counties, Texas. The total area requested includes approximately 23.534 acres and 50 current customers.

Order No. 14 allowed Staff until May 1, 2017 to file a recommendation.

II. RECOMMENDATION

As noted by the attached memorandum of Debbie Reyes Tamayo, Tracy Montes, Fred Bednarski III, and Julie Mathis of the Water Utilities Division, Staff recommends that the Application be approved.

Also attached is the map and certificate.

The parties will file a Joint Proposed Notice of Approval by May 15, 2017.

IV. CONCLUSION

Staff respectfully requests the entry of an order consistent with the above recommendations.

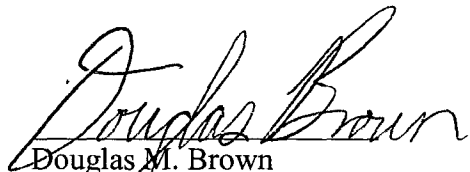
Dated: May 1, 2017

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Stephen Mack
Managing Attorney

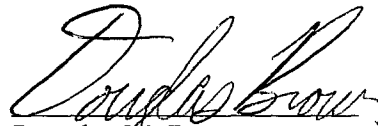


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**DOCKET NO. 44816
CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on May 1, 2017
in accordance with 16 TAC § 22.74.


Douglas M. Brown

PUC Interoffice Memorandum

To: Petak, Alexander, Attorney
Legal Division

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

From: Debbie Reyes Tamayo, Program Specialist
Water Utilities Division

Date: April 26, 2017

Subject: **Docket No. 44816:** *Application of Sharon Water Supply Corporation (WSC) to Amend its Certificate of Convenience and Necessity in Upshur and Wood Counties.*

On June 8, 2015, Sharon WSC (Applicant) filed with the Public Utility Commission of Texas (Commission) an application requesting to amend its water Certificate of Convenience and Necessity (CCN) No. 10476 in Upshur and Wood Counties, Texas. The Applicant is seeking to amend water CCN service area containing approximately 21,342 acres and 0 customers. The Applicant already provides retail water service to the customers in the proposed area. The application is being reviewed under Texas Water Code §13.254(d) (TWC) and Title 16 Tex. Admin. Code §§24.115 and 24.102(a) (1) (TAC).

The application was accepted for filing on October 14, 2016. Proper notice was provided on October 21, 2016, to current customers, neighboring systems, and cities in Upshur and Wood Counties in accordance with 16 TAC § 24.112(c). On December 14 and 21, 2016, notice was published in the Wood County Monitor Classified and on December 15 and 22, 2016, notice was published in the Gilmer Mirror Classified in accordance with 16 TAC § 24.112(c). The affidavit of notice was received by the Commission on January 5, 2017. The comment period ended January 22, 2017, and no protests or requests to opt out were received.

Financial Test

Texas Water Code § 13.246(c)(6) (TWC) requires the PUC to consider the financial ability of the applicant to pay for facilities necessary to provide continuous and adequate service and the financial stability of the applicant. 16 Texas Admin. Code § 24.11 (TAC) establishes criteria to demonstrate that an owner or operator of a retail public utility has the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and proposed utility service area. 16 TAC § 24.11(e) lists the financial tests. The cost to serve the proposed area is estimated to be \$500,000. The following discussion shows that the Applicant met the minimum criteria:

16.TAC § 24.11(e)(2) refers to the leverage test. :

- a. 16 TAC § 24.11(e)(2)(A) states that the owner or operator must have a **debt to equity ratio of less than one**, using long term debt and equity or net assets. Based on the calculations below the Applicant has a debt to equity ratio of **0.34** which does meet the debt to equity ratio criterion.

- i. FY2015 Equity = \$4,164,678
- ii. FY 2015 Long-Term Notes Payable = \$1,404,869
- iii. FY 2015 Debt to Equity Ratio = $\$1,404,869 / \$4,164,678 = 0.34$

- b. 16 TAC § 24.11(e)(2)(B) states the owner or operator must have a **debt service coverage ratio of more than 1.25** using annual net operating income before depreciation and non-cash expenses divided by annual combined long term debt payments. Based on the calculations below the applicant has **3.52** debt to service coverage ratio. Therefore the applicant meets the debt service criterion.
- i. FY2015 Total Funds Annual Net Operating Income before depreciation, and non-cash expenses = \$485,294
 - ii. FY2015 Annual Long-term Debt Payments = \$137,848
 - iii. FY2015 Debt Service Ratio = \$485,294 / \$137,848 = 3.52

16 TAC § 24.11(e)(3) refers to the operations test. This states that the owner or operator must demonstrate sufficient cash is available to cover any projected operations and maintenance shortages in the first five years of operations. The Applicant has been providing water service since 1972. The Texas Commission on Environmental Quality (TCEQ) central registry demonstrates the Applicants' public water system has no unresolved major violations with the TCEQ. The Applicant also has 7 ground water treatment operators with a Class C license and 1 customer service inspector. The Applicant currently serves approximately 2,710 connections. The Applicant currently has no cash shortages to cover. For the past 2 years net income before depreciation and interest totaled \$485,294 in 2015 and \$335,220 in 2014 for a total of \$820,514. Additionally as of 12/31/2015 The Applicant's cash and equivalent balance was \$355,670. The estimated cost to serve the new area is approximately \$264,300 for Phase I and \$242,100 for phase II totaling approximately \$500,000. The Applicant plans on paying for the improvements through the Texas Department of Agriculture STEP grant. Additionally the Applicant maintains a line of credit with City National Bank up to \$2,200,000 that has an unused balance of \$711,348 as of 12/31/2015. Thus, there are no cash shortages to cover.

Criteria Considered

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. No additional construction is necessary for the Applicant to serve the proposed area. The Applicant has a TCEQ approved Public Water Systems (PWS), PWS Identification Number No. 2500020. The Applicant's public water system has no unresolved major violations with the TCEQ. The Applicant also has 7 ground water treatment class C licensed operators. The Applicant currently serves approximately 2,671 connections. The Applicant has provided utility service since 1972. The existing water system, has access to an adequate supply of water and the water system facilities have excess capacity to serve the existing certificated area. Therefore, Staff believes adequate service is currently provided in the requested area.

TWC §13.246(c)(2) requires the commission to consider the need for service in the requested area. The Applicant is already providing service to the customers 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 public utility servicing the proximate area. The Applicant's CCN will be amended to include the requested area.

TWC §13.246(c)(4) requires the commission to consider the ability of the Applicant to provide adequate service. The Applicant currently provides adequate service to the customers in the proposed area under PWS ID No. 2500020.

TWC §13.246(c)(5) requires the commission to consider the feasibility of obtaining service from an adjacent retail public utility. The Applicant is currently providing service to the customers in the proposed area. Therefore, receiving service from other providers in the area was not considered.

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. Based on the review of the application and information provided, the Applicant has demonstrated adequate financial and managerial capabilities to provide service to the area being requested.

WC §§13.246(7) and (9) require the commission to consider the environmental integrity and the effect on the land to be included in the certificate. There will be no effect on the environmental integrity of the land since the Applicant is currently providing service in the requested area.

TWC § 13.246(8) requires the commission to consider the probable improvement in service or lowering of cost to consumers. The Applicant is currently providing adequate service to the customers in the requested area. There will be no change in the cost or level of service for the consumers.

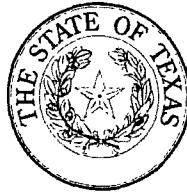
The Applicant meets all of the statutory requirements of Texas Water Code Chapter 13 and the Commission's Chapter 24 rules and regulations. Approval of this application will result the amendment of the Applicant's CCN 10476 in Upshur and Wood Counties.

The Applicant is capable of providing continuous and adequate service. Staff recommends approval of the application. The Applicant consented to the attached map and certificate on February 23, 2017.

In response to Order No. 14, Item No. 47 the applicant was able to provide copies of letters of intent for service with plans or forecasts for infrastructure development in the area that would necessitate service.

Based on the above information, Staff recommends the Commission issue an order approving the application and provide the attached map and certificate to the Applicant.

Staff also recommends the Applicant file a copy of each CCN map along with a written description of the CCN service area in the respective county clerks' offices pursuant to Texas Water Code § 13.257 (r) and (s).



Public Utility Commission of Texas

By These Presents Be It Known To All That

Sharon Water Supply Corporation

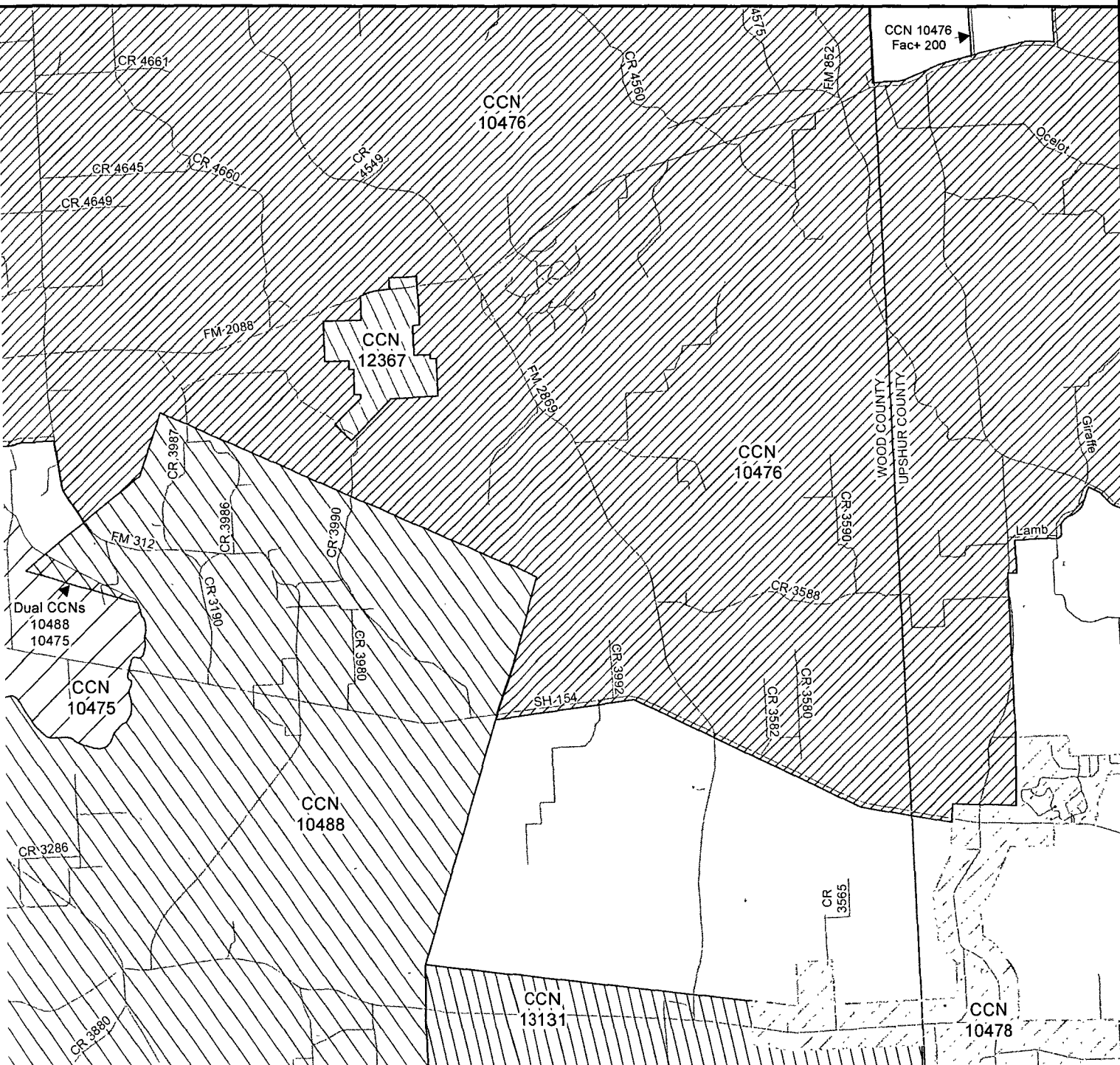
having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, Sharon Water Supply Corporation is entitled to this

Certificate of Convenience and Necessity No. 10476

to provide continuous and adequate water utility service to that service area or those service areas in Camp, Upshur and Wood Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 44816 are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of the Sharon Water Supply Corporation 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, this _____ day of _____ 2017.



Sharon Water Supply Corporation
Portion of Water CCN No. 10476
PUC Docket No. 44816
Amended CCN No. 10476 in Upshur and Wood Counties



Water CCN

-  10476 - Sharon WSC
-  12367 - Big Woods Springs Water
-  10478 - Pritchett WSC
-  10488 - Fouke WSC
-  10475 - Jones WSC
-  13131 - Algonquin Water Resources of Texas

Water Facility CCN

-  10476 - Sharon WSC
-  - Facilities + 200'

0 3,750 7,500
Feet

