

Control Number 44950



Item Number 26

Addendum StartPage 0

DOCKET NO. 44950

RECEIVED

APPLICATION OF CITY OF MOUNT §
PLEASANT FOR AMENDMENT TO §
CERTIFICATE OF CONVENIENCE §
AND NECESSITY IN TITUS COUNTY §

2016 AUG 24 AM 10:40
PUBLIC UTILITY COMMISSION
PUBLIC UTILITY COMMISSION
OF TEXAS
FILING CLERK

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 response to Order No. 7. In support thereof, Staff shows the following:

I. BACKGROUND

On July 16, 2015, City of Mount Pleasant (Mount Pleasant) filed with the Commission an application to amend its water and sewer certificates of convenience and necessity (CCN) Nos. 10509 and 20196 in Titus County, Texas. The total area being requested includes approximately 2,222.26 acres and 47 current customers. Notice of the application appeared in the August 7, 2015 issue of the *Texas Register*. Order No. 7, issued on April 4, 2016, gave Staff until August 26, 2016 to file a final recommendation on the application. This pleading is timely filed.

II. FINAL RECOMMENDATION

Staff has reviewed the application and recommends that this application for a water and sewer CCN amendment be approved. As supported by Attachment A to this pleading, the memorandum of Fred Bednarski III and Elisabeth English of the Water Utilities Division, Staff recommends that the application be found to comply with the criteria outlined for CCN amendments in TWC §§ 13.241-250 and 16 Tex. Admin Code §§ 24.101-107. The final maps were consented to on August 1, 2016 and filed with the Commission on August 4, 2016 and are attached as Attachment B. Mount Pleasant's updated water CCN No. 10509, sewer CCN No. 20196 and TRI Special Utility District's water CCN No. 10402 are attached as Attachment C. Staff further recommends that the Applicant file certified copies of the CCN maps along with a written description of the CCN service area in the county clerk's office of Titus County, pursuant to TWC §§ 13.257 (r)-(s).

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III. CONCLUSION

Staff respectfully requests that the ALJ issue an order consistent with this recommendation.

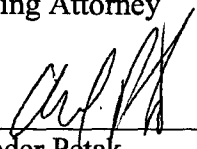
Dated: August 24, 2016

Respectfully Submitted,

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

Margaret Uhlig Pemberton
Division Director

Karen S. Hubbard
Managing Attorney

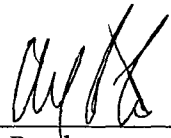


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Austin, Texas 78711-3326
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(512) 936-7268 (facsimile)

DOCKET NO. 44950

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on August 24, 2016 in accordance with 16 TAC § 22.74.



Alexander Petak

v

ATTACHMENT A

PUC Interoffice Memorandum

To: Alexander Petak, Attorney
Legal Division

Thru: Heidi Graham, Team Leader
Water Utilities Division

From: Fred Bednarski III, Financial Examiner
Elisabeth English, Engineer
Water Utilities Division

Date: August 26, 2016

Subject: Docket No. 44950, *Application of City of Mount Pleasant for Amendment to Certificate of Convenience and Necessity in Titus County*

On July 16, 2015, the City of Mount Pleasant (Mount Pleasant or Applicant) filed with the Commission an application to amend its water and sewer Certificate of Convenience and Necessity (CCN) Nos. 10509 and 20196, and to decertify a portion of CCN No. 10402 held by TRI Special Utility District (TRI SUD) in Titus County, pursuant to 16 Tex. Admin. Code §§ 24.8, and 24.102 through 24.106 (TAC) and Tex. Water Code § 13.246(c) (TWC). The application was deemed sufficient for filing on April 4, 2016.

Proper public notice of the application was provided on April 08 and April 15, 2016, in the *Mount Pleasant Daily Tribune*. In addition, on April 08, 2016, individual notice was provided to neighboring systems, landowners, cities and affected parties in Titus County. Affidavits stating that notices were published in the newspaper and provided to all affected parties were filed with the PUC on April 29, 2016. The comment period ended May 15, 2016, and no protests or requests for hearing were received.

Based on my review of the information provided by the City, I believe the City demonstrates adequate financial, managerial, and technical (FMT) capability to provide service to the area subject to this application. 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. A portion of the proposed service areas is currently being served by TRI SUD. As part of the annexation process, Mount Pleasant has purchased the existing water lines and the customers in the areas currently being served by TRI SUD will be transferred to Mount Pleasant. The agreement between the City of Mount Pleasant and TRI SUD was finalized in March, 2015. The remainder of the proposed service area will be served by Mount Pleasant PWS and wastewater facilities, which are in compliance with applicable TCEQ rules. Additionally, the Applicant employs TCEQ licensed Waste-Water operators and Water Treatment Operators.

TWC §13.246(c)(2) requires the commission to consider the need for service in the requested area. The City of Mount Pleasant has recently annexed the requested water and

sewer service areas. Trailer parks, several commercial businesses, and several private residences are in the requested areas whom service is currently being provided to.

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. The City of Mount Pleasant has recently annexed the requested areas and is acquiring a portion of the water area from TRI SUD. Granting the amendment will enable the areas to receive quality water and sewer service. Proper notice was provided to other retail water utilities in the area and no protest were received. Therefore granting the amendments will have minimal effect on the recipient and other retail water utilities.

TWC §13.246(c)(4) requires the commission to consider the ability of the Applicant to provide adequate service, including meeting the standards of the commission, taking into consideration the current and projected density and land use of the area. Mount Pleasant has a TCEQ approved public water supply (PWS) No. 2250001 that meets the requirements of TWC §13.241(b). Mount Pleasant additionally has a TCEQ approved waste water discharge permit, permit No. WQ10575-004. The proposed service areas have been recently annexed by Mount Pleasant. Mount Pleasant has been providing water and sewer service in the annexed areas. Additionally noted Mount Pleasant's water and sewer systems currently have excess capacity to serve the requested area and no improvements are needed at this time.

TWC §13.246(c)(5) requires the commission to consider the feasibility of obtaining service from an adjacent retail public utility. Mount Pleasant is an existing water and sewer utility that has recently annexed the requested area and is providing service. Mount Pleasant has also contracted with TRI SUD to purchase portions of the requested area. Additionally, proper notice was provided to other retail water utilities and no protest were received. Therefore it is not feasible for an adjacent retail public utility to service the requested 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 to the area and the applicants financial stability. Mount Pleasant currently has excess capacity to provide water and sewer service and is currently providing service in the area. Mount Pleasant provided its recent audited financial statements. These statements indicate the Mount Pleasant has the financial ability as listed below.

TWC §§13.246(7) and (9) requires the commission to consider the environmental integrity and the effect on the land to be included in the certificate. Land in the proposed area is currently receiving service and by granting the amendments it will enable the area to continue to receive service. Additionally the amendment areas were recently annexed by the Mount Pleasant and are subject to the Mount Pleasant's ordinances.

TWC § 13.246(8) requires the commission to consider the probable improvement in service or lowering of cost to consumers. Currently, service is being provided in the areas. Future retail water and sewer service in the proposed area is considered an improvement. Mount Pleasant maintains a superior water system which will enable future residents and commercial businesses to receive quality water service and sewer service as well.

As of September 30, 2015, Mount Pleasant reported total assets of \$111 million, total equity of \$67.3 million, and long term liabilities in the amount of \$45.3 million. Therefore the debt to equity ratio for the current year was \$45.3 to \$67.3 million, or 0.67 to 1.00 (0.67:1). A ratio of less than 1.00 to 1.00 is preferred for analysis of financial and managerial capabilities because it demonstrates that the Applicant has sufficient leverage to allow for funding of future capital

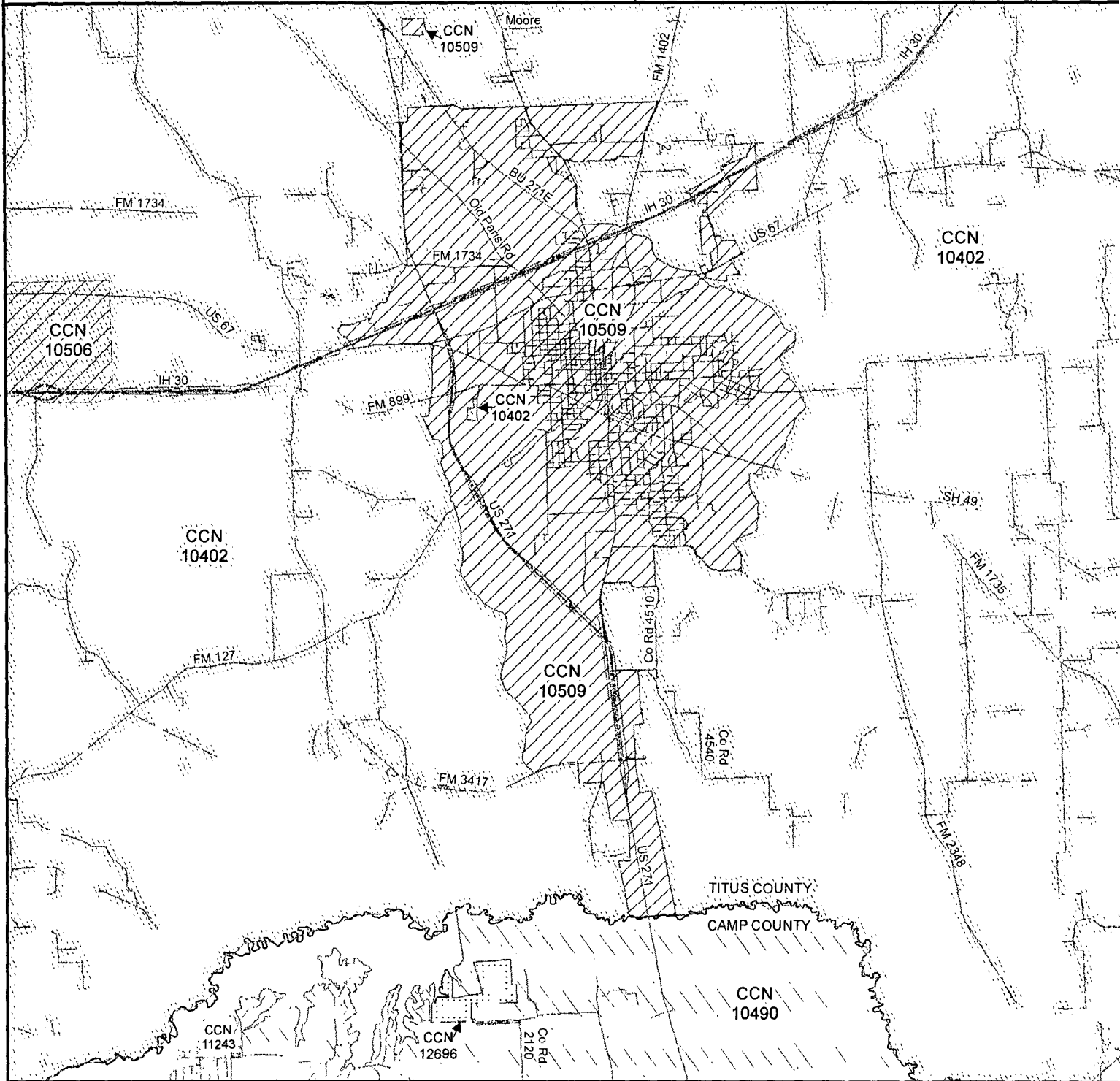
investments. Mount Pleasant reported proprietary fund operating income of \$865,380 and depreciation expense of \$1.86 million. Principle and interest payments for the proprietary fund total \$1.53 million. Therefore, the proprietary fund debt service coverage ratio coverage is \$2.72 million to \$1.53 million or 1.78 to 1.00 (1.78:1). Water and wastewater financial information is reported in the proprietary fund. A ratio of at least 1.25:1 is preferred when reviewing financial capability to ensure that reserve funds for debt payment and repairs and maintenance are built up and maintained. Further, Mount Pleasant maintains an unrestricted cash and cash equivalents balance of \$10.4 million. The water and wastewater systems are in compliance with the Texas Commission on Environmental Quality minimum standards and therefore, no improvements are required to provide adequate service. Therefore, Mount Pleasant meets the required ratio tests that staff typically uses to analyze financial and managerial capability. With respect to Mount Pleasant's technical capability to provide continuous and adequate service as required in 16 TAC § 24.102(a), Mount Pleasant has a TCEQ approved superior public water system, (PWS) No. 2250001 and a TCEQ approved permit to discharge waste, Permit No. WQ10575-004. Mount Pleasant has access to an adequate supply of water and has excess capacity to serve the amended area. Utility service to the future customers in the requested area will be provided by Mount Pleasant's existing facilities. In addition, Mount Pleasant has experienced operators that are knowledgeable about operations as well as the requirements for continuous and adequate service. Mount Pleasant has approximately 6 current licensed operators on staff and serves 11,808 water connections in Titus County.

Mount Pleasant meets all of the statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules and regulations, and is capable of providing continuous and adequate service as detailed above. Approving this application to amend Mount Pleasants' CCN Nos. 10509 and 20196 and TRI SUD's CCN No. 10402 is necessary for the service, accommodation, convenience and safety of the public.





Staff recommends approval of the application. The Applicant consented to the attached maps and certificates on August 4, 2016. Staff also recommends that the Applicant file certified copies of the CCN maps along with a written description of the CCNs service areas in the county clerk's office pursuant to TWC § 13.257 (r) and (s).

ATTACHMENT B

City of Mount Pleasant
Water Service Area
CCN No. 10509
PUC Docket No. 44950



Water CCN Service Areas

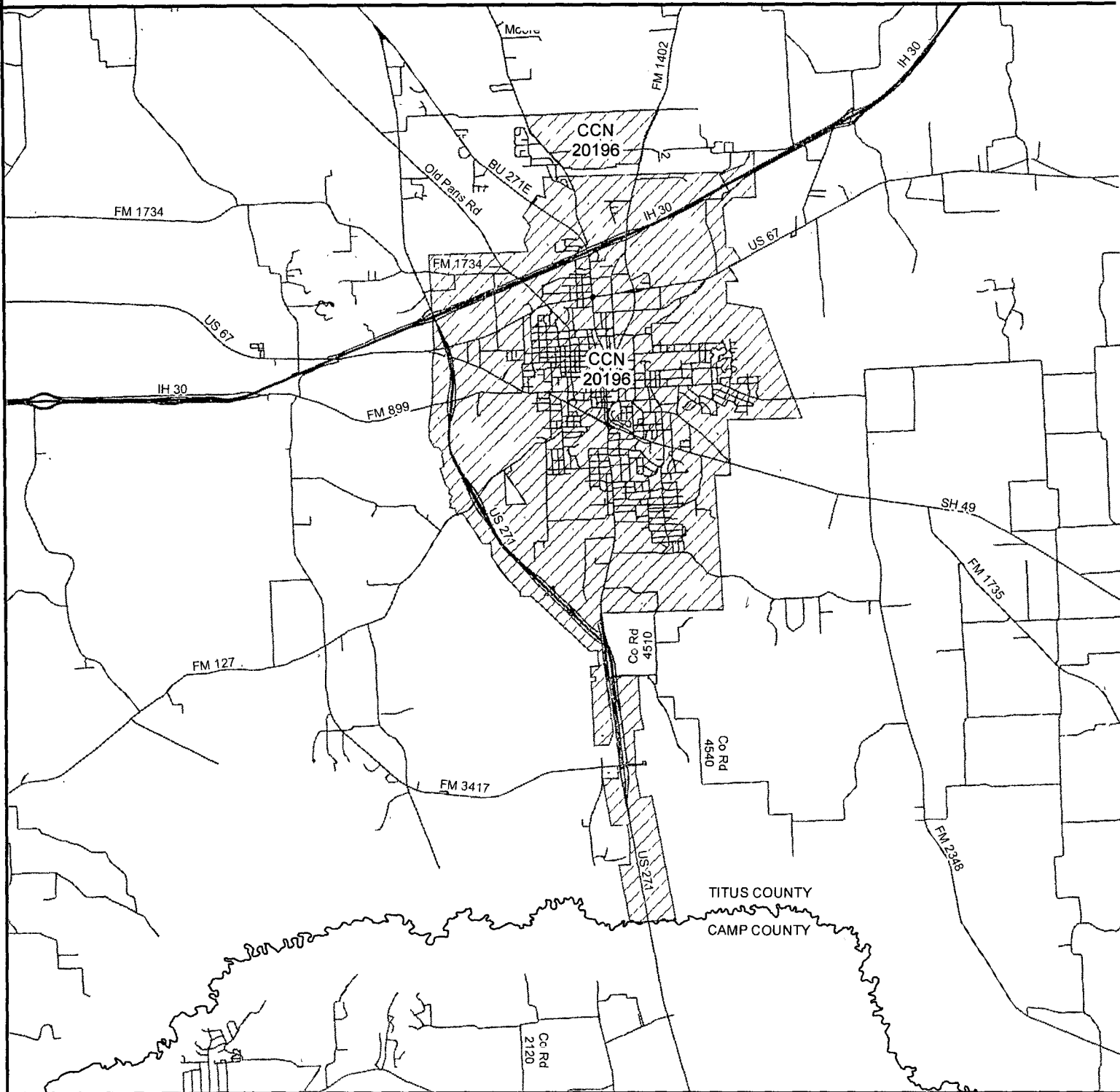
- | | | |
|---|-------|------------------------------|
|  | 10509 | City of Mount Pleasant |
|  | 10402 | TRI SUD |
|  | 10490 | BI County WSC |
|  | 12696 | Alpha Utility of Camp County |

- 11243 Thunderbird Bay Water Services
10506 City of Windfield.


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

Map by: Komal Patel
Date created: July 8, 2016
Project Path: n:\finalmapping\44950\City of Mt Pleasant Water.mxd

City of Mount Pleasant
Sewer Service Area
CCN No. 20196
PUC Docket No. 44950
Amended CCN No. 20196 in Titus County



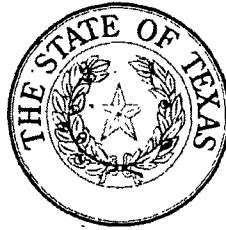
Sewer CCN Service Area

 20196 City of Mount Pleasant

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ATTACHMENT C



Public Utility Commission of Texas

By These Presents Be It Known To All That

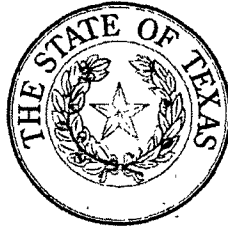
City of Mount Pleasant

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, City of Mount Pleasant is entitled to this

Certificate of Convenience and Necessity No. 10509

to provide continuous and adequate water utility service to that service area or those service areas in Titus County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 44950 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 Mount Pleasant 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.



Public Utility Commission of Texas

By These Presents Be It Known To All That

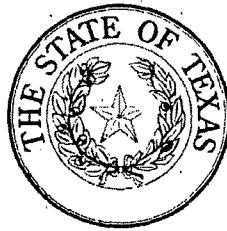
City of Mount Pleasant

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 Mount Pleasant is entitled to this

Certificate of Convenience and Necessity No. 20196

to provide continuous and adequate sewer utility service to that service area or those service areas in Titus County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 44950 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 Mount Pleasant 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.



Public Utility Commission of Texas

By These Presents Be It Known To All That

TRI Special Utility District

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, TRI Special Utility District is entitled to this

Certificate of Convenience and Necessity No. 10402

to provide continuous and adequate water utility service to that service area or those service areas in Camp, Franklin, Morris, and Titus, Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 44950 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 TRI Special Utility District 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.