



Control Number: 45552



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DOCKET NO. 45552

RECEIVED

APPLICATION OF OLD TAMINA
WATER SUPPLY CORPORATION TO
AMEND ITS WATER CERTIFICATE
OF CONVENIENCE AND NECESSITY
FOR DUAL CERTIFICATION WITH
THE CITY OF SHENANDOAH IN
MONTGOMERY COUNTY (37615-C)

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PUBLIC UTILITY COMMISSION

2018 AUG 21 PM 2:40

PUBLIC UTILITY COMMISSION
FILING CLERK
OF TEXAS

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 Response to Order No. 16, and would show the following:

I. Background and Notice

On May 15, 2013, Old Tamina Water Supply Corporation (Old Tamina) filed an application to amend its water Certificate of Convenience and Necessity (CCN) No. 12289 for a dual certification with the City of Shenandoah (Shenandoah) and obtain a new water CCN in Montgomery County with the Texas Commission on Environmental Quality (TCEQ). On May 27, 2016, the Administrative Law Judge (ALJ) issued Order No. 1 granting Old Tamina's Motion to sever the application to obtain a sewer CCN from the water CCN application for dual certification.

Order No. 16, required Staff to file a final recommendation by August 21, 2018. Therefore, this recommendation is timely filed.

II. Recommendation

Staff has reviewed the application of Old Tamina and, as supported by the attached recommendation of Debbie Reyes of the Water Utilities Division, recommends that the application be approved.

III. Conclusion

Staff recommends the ALJ enter an order consistent with the above recommendations.

64

Dated: August 21, 2018

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Karen S. Hubbard
Managing Attorney



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DOCKET NO. 45552

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on August 21, 2018 in accordance with 16 TAC § 22.74.



Landon J. Lill



Public Utility Commission of Texas

By These Presents Be It Known To All That

Old Tamina 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, Old Tamina Water Supply Corporation is entitled to this

Certificate of Convenience and Necessity No. 12289

to provide continuous and adequate water utility service to that service area or those service areas in Montgomery County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 45552 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 Old Tamina 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 _____ 2018.



Public Utility Commission of Texas

By These Presents Be It Known To All That
City of Shenandoah

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 Shenandoah is entitled to this

Certificate of Convenience and Necessity No. 13146

to provide continuous and adequate water utility service to that service area or those service areas in Montgomery County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 45552 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 City of Shenandoah, 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 _____ 2018.

Old Tamina Water Supply Corporation
 Water CCN No. 12289
 PUC Docket No. 45552
 Amended CCN No. 12289 in Montgomery County



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

Water CCN

-  12289 - Old Tamina WSC
-  13146 - City of Shenandoah
-  10351 - Chateau Woods MUD
-  12230 - City of Oak Ridge North

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Map by: Komal Patel
 Date created: June 27, 2018
 Project Path: n:\finalmapping\
 45552OldTaminaWSC.mxd

PUC Interoffice Memorandum

TO: Landon Lill, Attorney
Legal Division

THRU: Heidi Graham, Manager
Water Utility Regulation Division

FROM: Debbie Reyes, Program Specialist
Water Utility Regulation Division

DATE: August 21, 2018

SUBJECT: **Docket No. 45552**, *Application of Old Tamina Water Supply Corporation (WSC) to Amend its Water Certificate of Convenience and Necessity for Dual Certification with the City of Shenandoah in Montgomery County (37615-C)*

On May 13, 2013, Old Tamina WSC (Old Tamina or Applicant) filed an application with the Texas Commission on Environmental Quality (TCEQ) to amend Certificate of Convenience and Necessity (CCN) No. 12289 and to obtain dual certification with a portion of CCN No. 13146 held by the City of Shenandoah, in Montgomery County, pursuant to the criteria in the Texas Water Code, Chapter 13, and the TCEQ's rules outlined in Title 30, Texas Administrative Code (TAC), Sections 291.101 – 291.107. On September 1, 2014, the rates and CCN programs were transferred from the TCEQ to the Public Utility Commission (PUC). This application was part of the transfer and is now under the PUC's purview. The application is now being reviewed pursuant to 16 TAC §§ 24.101 – 24.107.

The Applicant's revised general location map and digital data filed on August 9, 2017 were confirmed by PUC mapping staff that the area of single certification for the Old Tamina WSC includes approximately 141 acres, the portion of dual certification with the City of Shenandoah's water CCN No. 13146 includes approximately 49 acres, and Old Tamina WSC is requesting to amend 190 total acres to CCN No. 12289 with their revised proposed water CCN service area.

The comment period ended August 11, 2013. On August 5, 2013, a request to opt-out was submitted and granted for Conroe ISD and no protests were received.

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.

The Applicant has a Texas Commission on Environmental Quality (TCEQ) Public Water System (PWS) identification number (ID) 1012052. The water system is in compliance with TCEQ rules, and has no existing drinking water violations. The system will be utilizing existing facilities and infrastructure to add the additional connections. The applicant also provided an updated purchase water contract that should allow for the new connections to be added without capacity related issues.

TWC § 13.246(c)(2) requires the commission to consider the need for service in the requested area.

There is a need for service as the Applicants are proposing to amend Certificate of Convenience and Necessity (CCN) No. 12289 and to obtain dual certification with a portion of CCN No. 13146 held by the City of Shenandoah, in Montgomery County

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 Applicants are proposing to amend Certificate of Convenience and Necessity (CCN) No. 12289 and to obtain dual certification with a portion of CCN No. 13146 held by the City of Shenandoah, in Montgomery County.

TWC § 13.246(c)(4) requires the commission to consider the ability of the Applicant to provide adequate service.

The Applicant has a Texas Commission on Environmental Quality (TCEQ) Public Water System (PWS) identification number (ID) 1012052. The water system is in compliance with TCEQ rules, and has no existing drinking water violations. The system will be utilizing existing facilities and infrastructure to add the additional connections.

The applicant also provided an updated purchase water contract that should allow for the new connections to be added without capacity related issues.

TWC § 13.246(c)(5) requires the commission to consider the feasibility of obtaining service from an adjacent retail public utility.

See Above

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.

1) 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.

- i. Ratio = $\$0/(\$19,500.44) = 0$
- ii. Net Position = $(\$19,500.44)$
- iii. Long-term Notes payable 2014 = $\$0$

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.

- i. Annual Net Operating Income before depreciation and non-cash expenses = $(\$14,573)$
- ii. Annual Long-term debt payments = $\$0$
- iii. Ratio = $(\$14,573)/\$0 = \text{N/A}$

- 2) **16 TAC § 24.11(e)(3) refers to the operations test. This states that the owner or operator must demonstrate that sufficient cash is available to cover any projected operations and maintenance shortages in the first five years of operations.**
- a. The projected financial statements that Old Tamina has provided show no projected shortage due to operations.

Based on the above discussion, Old Tamina is not in a good position to typical bank financing or cover any losses due to operations, however, the information provided indicates that the operating income will be sufficient to cover expenses and there will be not shortage. Therefore, the operations test is met by projections. Furthermore, pending the successful outcome of this application, Old Tamina will receive a grant/loan package of approximately \$2.2 million that will help Old Tamina finance the development of a sewer system, for the community that Old Tamina serves. Staff has confirmed the status of the loan with the United States Department of Agriculture Rural Development (USDA). The loan will be approved if the CCN is issued. Therefore, Staff believes that Old Tamina has financial capability. Old Tamina will have the funds to make required improvements because of the loan and grant availability through USDA.

TWC §§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.

TWC § 13.246(8) requires the commission to consider the probable improvement in service or lowering of cost to consumers. Not applicable. See Above

Staff recommends that the Applicant meets all of the statutory requirements of TWC Chapter 13 and 16 TAC Chapter 24 rules and regulations and is capable of providing continuous and adequate service. Approving this application is necessary for the service, accommodation, convenience and safety of the public.

The Applicants consented to the attached maps and certificates on August 6, 2018.

Based on the information above, Staff recommends the Commission issue an order approving the application and provide the attached map and certificate to Old Tamina Water Supply Corporation and the City of Shenandoah. Staff further recommends that the Applicant file a certified copies of the CCN maps along with a written description of the CCN service areas in the county clerk's office pursuant to TWC §§ 13.257 (r)-(s).