



Control Number: 46727



Item Number: 46

Addendum StartPage: 0

**DOCKET NO. 46727**

**APPLICATION OF H-M-W SPECIAL §  
UTILITY DISTRICT FOR TO AMEND A §  
WATER CERTIFICATE OF §  
CONVENIENCE AND NECESSITY IN §  
MONTGOMERY COUNTY §**

**PUBLIC UTILITY COMMISSION  
OF TEXAS**

2018 JUN 15 PM 4:09  
PUBLIC UTILITY COMMISSION  
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 support thereof, Staff shows the following:

**I. BACKGROUND**

On January 5, 2017, H-M-W Special Utility District (HMWSUD) filed a petition to amend water certificate of convenience and necessity (CCN) No. 10342 and to decertify a portion of CCN No. 10342 in Montgomery County. In Order No.12, issued April 10, 2018, Staff was ordered to file a final recommendation on the application by June 19, 2018. This pleading is therefore timely filed.

**II. RECOMMENDATION**

Staff has reviewed the application and recommends that this application for a CCN amendment be approved. As supported by Attachment A to this pleading, the memorandum of Fred Bednarski of the Water Utility Regulation Division, Staff recommends that the application be found to comply with the criteria outlined for CCN amendments in the Texas Water Code §§ 13.241-250 (TWC) and 16 Tex. Admin Code §§ 24.101-107. The final water maps and certificates (Attachment B) were consented by HMWSUD, Quadvest, L.P., and Aqua and the consent forms were filed with the Commission on March 27, 2018, May 21, 2018, and June 4, 2018. Staff further recommends that HMWSUD, Quadvest L.P., and Aqua file certified copies of the CCN maps along with a written description of the CCN service area in the county clerk's office of Montgomery County, pursuant to TWC §§ 13.257 (r)-(s).

**III. CONCLUSION**

Staff respectfully requests that an order be issued reflecting the above recommendation.

Dated: June 15, 2018



Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF  
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

Karen S. Hubbard  
Managing Attorney



Alexander Petak  
State Bar No. 24088216  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326  
(512) 936-7377  
(512) 936-7268 (facsimile)  
Alexander.Petak@puc.texas.gov

**DOCKET NO. 46727  
CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record June 15, 2018,  
in accordance with 16 Texas Admin. Code § 22.74.



Alexander Petak

# **ATTACHMENT A**

## PUC Interoffice Memorandum

**To:** Alexander Petak, Attorney  
Legal Division

**Thru:** Tammy Benter, Director  
Heidi Graham, Manager  
Water Utility Regulation Division

**From:** Fred Bednarski, Financial Examiner  
Water Utility Regulation Division

**Date:** June 19, 2018

**Subject:** **Docket No. 46727:** *Application of H-M-W Special Utility District to Amend its Water Certificate of Convenience and Necessity in Montgomery County*

On January 05, 2017, the H-M-W Special Utility District (Applicant or H-M-W SUD) filed an application to amend its water Certificate of Convenience and Necessity (CCN) No. 10342 and decertify portions of Aqua Texas, Inc.'s CCN Nos. 11157 and 13203 and Quadvest LP CCN No. 11612 in Montgomery County, Texas pursuant to Texas Water Code Ann. (TWC) §§ 13.242 to 13.250 and 13.254 and 16 Tex. Admin Code (TAC) §§ 24.101 to 24.107 and 24.113. The intent of the Applicant is to clean up its existing certificated area. The Applicant has approximately 2,880 existing customers.

### **Applicant's Requested Area**

The Applicant's existing certificated area includes approximately 9,806 acres. The Applicant originally requested to add approximately 988 acres and decertify approximately 522 acres. The comment period ended May 30, 2017. During the comment period no protests were received, however, three opt out requests were received. The Applicant filed revised mapping data which removed all area that had opt-out requests. The revised mapping data also removed portions of the requested area that overlapped area certificated to Aqua Texas, Inc. and Quadvest LP. Aqua Texas, Inc. and Quadvest LP agreed to allow H-M-W SUD to add a portion of the requested area that overlapped their certificated areas. In addition, a streamlined expedited release request, which impacted the Applicant's requested area, was filed under Docket 47918, and granted by the Commission during the March 29, 2018 open meeting. The revised mapping data included the removal of the released CCN area. The mapping revisions ultimately added approximately 917 acres to the Applicant's certificated area and removed approximately 708 acres from the Applicant's certificated area resulting in an addition of approximately 209 acres to the Applicant's existing certificated area. The total revised requested area is approximately 10,015 acres.

### **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.***

The Applicant has existing facilities in the requested area. A review of Texas Commission on Environmental Quality's (TCEQ) Central Registry database indicates that the Applicant's public

water system has no unresolved violations. In addition, the Applicant has experienced operators that are knowledgeable about operations as well as the requirements for continuous and adequate service.

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

There are existing H-M-W SUD customers in the requested area that demonstrate the need for service.

***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.***

There will be no effect on the recipient or any other retail public utility servicing the proximate area since H-M-W SUD is already providing service to the requested area.

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

H-M-W SUD has existing facilities in the requested area. A review of TCEQ's Central Registry database indicates that H-M-W SUD's PWS has no unresolved violations. In addition, H-M-W SUD has experienced operators that are knowledgeable about operations as well as the 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 requested area has existing facilities and is currently being served by H-M-W SUD. Therefore, it is not necessary to obtain service from an adjacent retail public utility.

***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.***

16 TAC § 24.11 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) requires the Applicant to meet one out of five leverage tests. In this case, the Applicant meets two out of the five leverage test. 16 TAC § 24.11(e)(2)(A) states the owner or operator must have a debt to equity ratio of less than one. H-M-W SUD meets the debt to equity test by having a ratio of 0.27. 16 TAC § 24.11(e)(2)(B) states the owner or operator must have a debt service coverage ratio of more than 1.25. H-M-W SUD has a debt service coverage ratio of 1.90, therefore H-M-W SUD meets the debt service criterion.

16 TAC § 24.11(e)(3) refers to the operations test which requires 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. H-M-W SUD is already serving the requested area. H-M-W SUD has indicated that no cash shortages will be experienced in the first five years of operations. Therefore, H-M-W SUD passes the operation test.

***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 no impact on the environment and the land as facilities are already in place and no construction is required to serve the requested area.

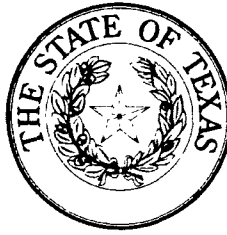
***TWC § 13.246(8) requires the commission to consider the probable improvement in service or lowering of cost to consumers.***

The current customers in the requested area are being served by H-M-W SUD. Approving the application will enable the customers to continue receiving service from H-M-W SUD at the same cost.

The Applicants consented to the attached map and certificates on March 27, 2018, May 21, 2018, and June 04, 2018. Staff recommends that the application be approved as amended. Staff further recommends that the H-M-W SUD, Aqua Texas, Inc., and Quadvest LP file certified copies of maps for their respective CCN areas along with a written description of the CCN service area in the county clerk's office pursuant to TWC §§ 13.257 (r)-(s).



## **ATTACHMENT B**



# **Public Utility Commission of Texas**

**By These Presents Be It Known To All That**

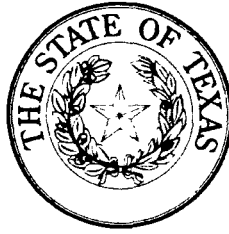
**Aqua Utilities, Inc.**

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, Aqua Utilities, Inc., is entitled to this

## **Certificate of Convenience and Necessity No. 11157**

to provide continuous and adequate water utility service to that service area or those service areas in Bandera, Bexar, Blanco, Brazoria, Burnet, Comal, Gillespie, Harris, Hays, Kendall, Kerr, Kimble, Liberty, Live Oak, Llano, Matagorda, McLennan, Medina, Montgomery, Nueces, Travis, Victoria, Williamson, and Wilson Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 46727 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 Aqua Utilities, Inc., 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 \_\_\_\_\_ 2018.



# **Public Utility Commission of Texas**

**By These Presents Be It Known To All That**

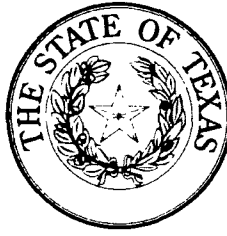
## **Aqua Texas**

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, Aqua Texas is entitled to this

### **Certificate of Convenience and Necessity No. 13203**

to provide continuous and adequate water utility service to that service area or those service areas in Brazoria, Chambers, Fort Bend, Grimes, Harris, Jefferson, Liberty, Montgomery, Polk, San Jacinto, Trinity, and Wharton Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 46727 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 Aqua Texas 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 \_\_\_\_\_ 2018.



# **Public Utility Commission of Texas**

**By These Presents Be It Known To All That**

## **H-M-W 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, H-M-W Special Utility District is entitled to this

### **Certificate of Convenience and Necessity No. 10342**

to provide continuous and adequate water utility service to that service area or those service areas in Harris and Montgomery Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 46727 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 H-M-W 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 \_\_\_\_\_ 2018.



# **Public Utility Commission of Texas**

**By These Presents Be It Known To All That**  
**Quadvest, L. P.**

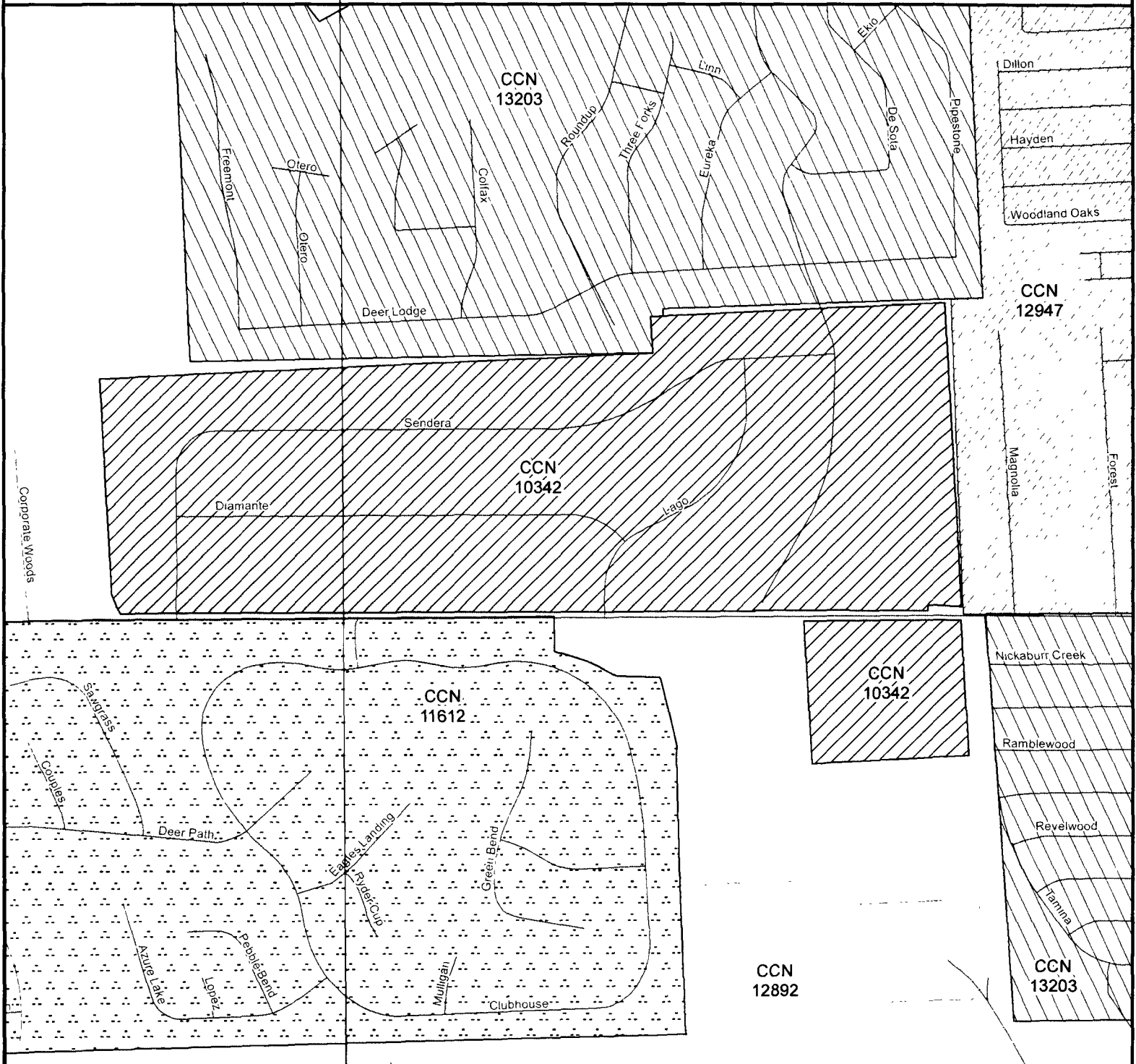
having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, Quadvest, L.P., is entitled to this

## **Certificate of Convenience and Necessity No. 11612**

to provide continuous and adequate water utility service to that service area or those service areas in Aransas, Brazoria, Fort Bend, Harris, Jackson, Liberty, Matagorda, Montgomery, Walker, and Waller Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 46727 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 Quadvest, L.P., 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 \_\_\_\_\_ 2018.

H-M-W SUD  
Portion of Water CCN No. 10342  
PUC Docket No. 46727  
Amended CCN No. 10342 and  
Decertified a Portion of Aqua Texas Inc., CCN No. 13203 in Montgomery County



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

**Water CCN**

-  10342 - H-M-W SUD
-  13203 - Aqua Texas Inc
-  12947 - Woodland Oaks Utility Co Inc
-  11612 - Quadvest LP
-  12892 - T & W Water Service

0 750 1,500  
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Map by: Komal Patel  
Date created: February 26, 2018  
Project Path: n:\finalmapping\46727MAP1.mxd

