

Control Number: 46808



Item Number: 24

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APPLICATION OF THE CITY OF
FORT WORTH TO AMEND A
WATER CERTIFICATE OF
CONVENIENCE AND NECESSITY
AND TO DECERTIFY A PORTION
OF JOHNSON COUNTY SPECIAL
UTILITY DISTRICT'S
CERTIFICATE OF CONVENIENCE
AND NECESSITY IN TARRANT
COUNTY

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PUBLIC UTILITY COMMISSION

OF TEXAS

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COMMISSION STAFF'S FINAL RECOMMENDATION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and files this Final Recommendation in response to Order No. 7 and would show the following:

I. BACKGROUND

On January 27, 2017, the City of Fort Worth (Fort Worth or Applicant) filed an application to amend its water Certificate of Convenience and Necessity (CCN) No. 12311 in Tarrant County, Texas and decertify a portion of Johnson County Special Utility District's (Johnson County SUD) water CCN No. 10081. Specifically, Fort Worth seeks to add an area of approximately 84 acres that contains no current customers to its CCN. Fort Worth supplemented its application on April 25 and May 18, 2017.

On October 13, 2017, Order No. 7 was issued, establishing a deadline of October 20, 2017, for Staff to file a final recommendation on the application. This pleading is therefore timely filed.

II. RECOMMENDATION

As detailed in the attached memorandum from Jolie Mathis in the Commission's Water Utility Regulation Division, Staff has reviewed the application and all supplemental information that has been provided. Staff recommends that the application be approved. As detailed in the attached memorandum, Staff's review indicates that Fort Worth meets the applicable financial, managerial, and technical requirements of Chapter 13 of the Texas Water Code and Title 16, Chapter 24 of the Texas Administrative Code and is therefore capable of providing continuous and

adequate service. Staff's review also indicates that approval of Fort Worth's application is necessary for the service, accommodation, convenience, and safety of the public. Staff therefore recommends that the application be approved.

III. CONCLUSION

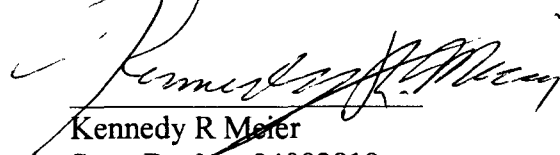
For the reasons stated above, Staff recommends approval of the application. Joint proposed findings of fact and conclusions of law will be filed in accordance with the procedural schedule established in Order No. 7.

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Katherine Lengieza Gross
Managing Attorney

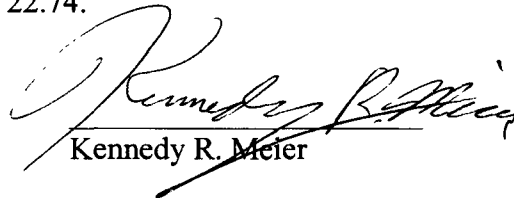


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DOCKET NO. 46808

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the 20th of October, 2017 in accordance with 16 TAC § 22.74.



Kennedy R. Meier

PUC Interoffice Memorandum

To: Kennedy Meier, Attorney
Legal Division

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

From: Jolie Mathis, Staff Engineer
Water Utility Regulation Division

Date: October 17, 2017

Subject: **Docket No. 46808:** *Application of the City of Fort Worth to Amend a Water Certificate of Convenience and Necessity and to Decertify a Portion of Johnson County Special Utility District's Certificate of Convenience and Necessity in Tarrant County*

On January 27, 2017, the City of Fort Worth (Applicant or City) filed with the Public Utility Commission of Texas (Commission) an application to amend its water Certificate of Convenience and Necessity (CCN) No. 12311 and to decertify a portion of Johnson County Special Utility District (SUD)'s water CCN No. 10081 in Tarrant County, Texas pursuant to Texas Water Code Ann. §§ 13.242 to 13.250 and 13.254 (TWC) and 16 Tex. Admin Code §§ 24.101 to 24.107 and 24.113 (TAC).

Background

The Applicant is seeking to amend a water CCN for the service area containing approximately 84 acres and zero current customers. The comment period ended July 24, 2017, and no protests or opt-out requests were received.

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 a Texas Commission on Environmental Quality (TCEQ) approved Public Water System (PWS) Identification No. 2200012 and Wastewater Discharge Permit No. WQ0010494013. There are no outstanding violations.

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

The developer is in the preliminary platting process with the City to subdivide the property in to a 419 lot single-family residence subdivision.

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 City currently provides water service in the vicinity of the requested area. There is no impact on any other utility servicing the proximate area.

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

The Applicant has a TCEQ approved PWS Identification No. 2200012 and Wastewater Discharge Permit No. WQ0010494013. The City will be extending the existing distribution system in order to serve the requested area, and the extension will serve less than 10% of existing connections per 30 TAC 290.39(j)(1)(D). TCEQ review and approval of plans and specifications will not be required.

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

The City currently provides water service in the vicinity of the requested area. Therefore, service from an adjacent retail public utility would not be feasible..

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.

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 and the financial stability of the Applicant. 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) lists the financial tests. The City's 2015 Comprehensive Annual Financial Report and Adopted Budget's for 2015, 2016, and 2017 were obtained from the City's website to determine which of the five leverage tests were met.

The Applicant meets two of the five leverage tests in which the Applicant is only required to meet one in order to demonstrate financial capability. The Applicant also met the operations test when current cash balances were taken into consideration. While a projection of future cash balances was not provided, the City has the ability to raise rates to cover its operations and debt service needs. The 2017 adopted budget shows a cash surplus of \$3,713,714.

1. 16 TAC § 24.11(e)(2) refers to the leverage test. Below is a summary of two leverage tests that were met by the Applicant and a description of how financial assurance may be provided in lieu of meeting (A) – (D).

Under 16 TAC § 24.11(e)(2)(C), the owner or operator must have sufficient unrestricted cash available as a cushion for two years of debt service. The City met this test in the year 2015.

16 TAC § 24.11(e)(2)(D) states the owner or operator must have an investment-grade credit rating from Standard & Poor's Financial Services LLC, Moody's Investors Service, or Fitch Ratings Inc. The City was rated with investment grade credit ratings from all three credit rating companies in 2016.

2. 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 (2017 – 2021) of operations. Based on projected financial information and the citywide current cash balance of \$766,345,000 for year 2015, there is sufficient cash to cover the projected operations and maintenance shortages for the five years with projected shortages. In year 2017, there is projected operations and maintenance surplus of \$3,713,714, which would add to the cash surplus.

TWC §§ 13.246(c)(7) and (9) require the Commission to consider the environmental integrity and the effect on the land to be included in the certificate.

The effect on the environmental integrity and land will be minimal.

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

There are currently zero customers in the requested area.

Staff recommends that the Applicant 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. Staff further recommends that approving this application to amend a water CCN No. 12311 is necessary for the service, accommodation, convenience and safety of the public.

The Applicant consented to the attached map and certificate on October 17 and 18, 2017.

Based on the above information, Staff recommends the Commission approve the application, issue an order and provide the attached map and certificate to the City of Fort Worth.

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 pursuant to TWC §§ 13.257 (r)-(s).



Public Utility Commission of Texas

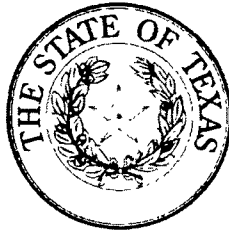
By These Presents Be It Known To All That Johnson County Special Utility District

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 by Johnson County Special Utility District is entitled to this

Certificate of Convenience and Necessity No. 10081

to provide continuous and adequate water utility service to that service area or those service areas in Ellis, Hill, Johnson, and Tarrant Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 46808 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 Johnson County 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, this _____ day of _____ 2017.



Public Utility Commission of Texas

**By These Presents Be It Known To All That
City of Fort Worth**

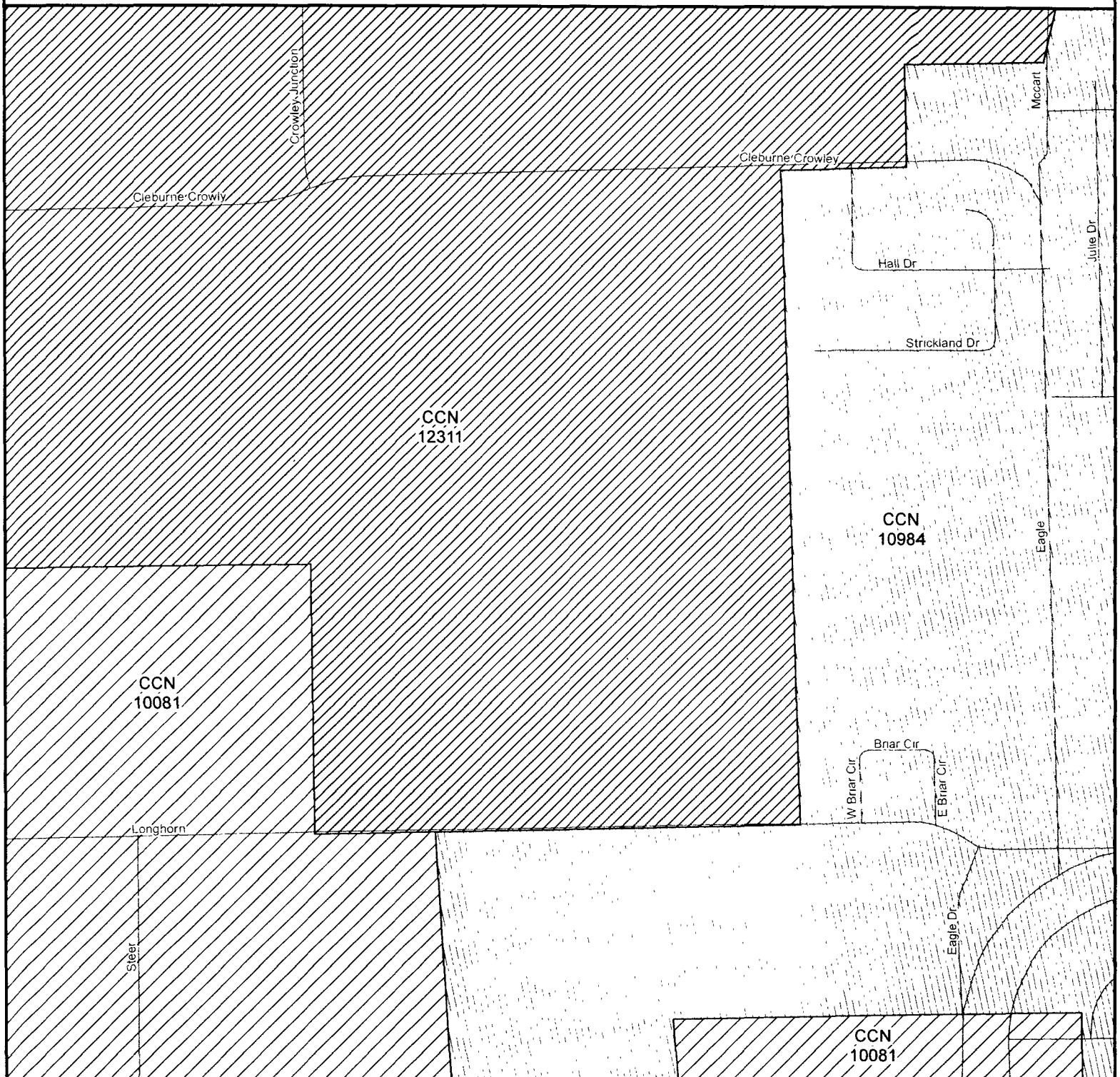
having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, the City of Fort Worth is entitled to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

Certificate of Convenience and Necessity No. 12311

to provide continuous and adequate water utility service to that service area or those service areas in Denton, Parker, Tarrant, and Wise Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 46808 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 Fort Worth 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 _____ 2017.

City of Fort Worth
 Portion of Water CCN No. 12311
 PUC Docket No. 46808
 Transferred a Portion of Johnson County SUD, CCN No. 10081 in Tarrant County



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

Water CCN

-  12311 - City of Fort Worth
-  10081 - Johnson County SUD
-  10984 - City of Crowley

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Map by: Komal Patel
 Date created: August 31, 2017
 Project Path: n:\finalmapping\46808CityofFortWorth.mxd