



Control Number: 46835



Item Number: 57

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DOCKET NO. 46835

APPLICATION OF CITY OF  
PRINCETON TO AMEND ITS  
CERTIFICATES OF CONVENIENCE  
AND NECESSITY AND TO  
DECERTIFY A PORTION OF  
ALTOGA WATER SUPPLY  
COPROATION'S WATER SERVICE  
AREA IN COLLIN COUNTY

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PUBLIC UTILITY COMMISSION

OF TEXAS  
FILING CLERK

### STAFF'S FINAL RECOMMENDATION

**COMES NOW** the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files final recommendation, recommending approval:

#### I. Background

On February 6, 2017, the City of Princeton (Princeton) filed an application to amend water certificate of convenience and necessity No. 13195 and sewer CCN No. 21057 and to decertify a portion of Altoga Water Supply Corporation (Altoga) in Collin County.

On September 6, 2018, the Administrative Law Judge (ALJ) issued Order No. 15, setting September 14, 2018, as the deadline for Staff to its final recommendation. Therefore, this recommendation is timely filed.

#### II. Recommendation

Staff has reviewed the application, and as supported by the attached recommendation from Greg Charles of the Water Utilities Division, Staff recommends the applications approval. Additionally, Staff recommends the Commission issue an order and provide the attached map, and certificates to the City of Princeton. Staff further recommends that Princeton file certified copies of the CCN map along with a written description of the CCN service area in the county clerk's office pursuant to Texas Water Code § 13.257 (r)-(s).

#### III. Conclusion

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

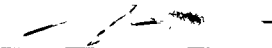
Dated: September 14, 2018

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  
(512) 936-7228  
(512) 936-7268 (facsimile)

**DOCKET NO. 46835**

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on this the 14th day of September in accordance with 16 TAC § 22.74.

  
\_\_\_\_\_  
Landon J. Lill

## PUC Interoffice Memorandum

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**To:** Landon Lill, Attorney  
Legal Division

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

**From:** Greg Charles, Engineer  
Water Utilities Regulation Division

**Date:** September 4, 2018

**Subject:** **Docket No. 46835:** *Application of the City of Princeton to Amend Water and Sewer Certificates of Convenience and Necessity and to Decertify a Portion of Altoga Special Utility District's Service Area in Collin County*

On February 6, 2017, the City of Princeton ("Applicant" or "City") filed an application to its amend water Certificate of Convenience and Necessity (CCN) No. 13195 and sewer CCN No. 21057 in Collin County, Texas, pursuant to Texas Water Code (TWC) §§ 13.242-.250 and 16 Tex. Admin. Code (TAC) §§ 24.101-.107. All of Altoga Water Supply Corporation's (Altoga WSC) CCN area under CCN No. 12580 was transferred to North Collin Special Utility District (NCSUD) in Docket No. 46452 and amended to NCSUD's CCN No. 11035. Docket 46452 was finalized by the Commission on August 13, 2018.

### **Background**

The Applicant is seeking to amend its water and sewer CCNs for the service area containing approximately 2,633 total acres for water services, and 1,636 acres for sewer services.

### **Notice**

The deadline for intervention was May 23, 2018. On May 23, 2018, NCSUD and Altoga WSC filed a request for hearing and motion to intervene. On May 29, 2018 and June 7, 2018, the City filed Rule 11 Agreements. On July 2, 2018 the City filed revised maps reflecting the Rule 11 agreements. On July 16, 2018, Suzy O. Kemp filed a request to be excluded from the revised CCN area. On July 25, 2018, the City filed a revised sewer CCN map that excluded Ms. Kemp's property.

### **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 is currently providing service to customers in the requested area.

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

The requested area is within the Applicant's primary growth corridor, which will require water and sewer services.

*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.*

Due to an agreement between NCSUD and the Applicant included in Docket # 46452, Item 38, there should be no effect on any other retail public utility servicing the area.

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

By contract, the Applicant is supplied with treated surface water, as well as sewer treatment services by North Texas Municipal Water District (NTMWD). NTMWD is a regional provider of both services to several other cities in the region. Given the capacity of both the water supply and sewer treatment facilities of NTMWD, the Applicant has adequate capacity to serve the requested area.

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

The agreement with NCSUD, allows for both NCSUD and the Applicant to economically and efficiently allocate water and sewer services to 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 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 following discussion shows that the Applicant meets the required criteria:

#### Financial Test

Pursuant to Texas Water Code § 13.246(c)(6) (TWC) the PUC is required 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. Pursuant to 16 Texas Admin. Code § 24.11 (TAC) the criteria are established 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. The tests include a leverage test and an operations test.

The Applicant meets the leverage test with a debt service coverage ratio greater than 1.25. Based on the calculations below the Applicant has a debt service coverage ratio of 3.33.

- i. 2016 Operating Income = \$1,372,346
- ii. 2016 Depreciation = \$670,108
- iii. Total Operating Income available to service debt = \$2,042,454
- iv. 2016 Debt Service = \$613,501
- v. 2016 Debt Service Coverage Ratio =  $\$2,042,454 / \$613,501 = 3.33$

The Applicant meets the operations test. 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 not submitted projections in its application; however, based on the Applicant's 2016 CAFR Statement of Revenues, Expenses, and Changes in Fund Net Position, the Applicant's utility fund had \$1,372,346 in operating income. Thus, there are no shortages to cover.

*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.*

The Applicant will provide water and sewer services to the requested area as the area develops, and avoid the use of septic systems.

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

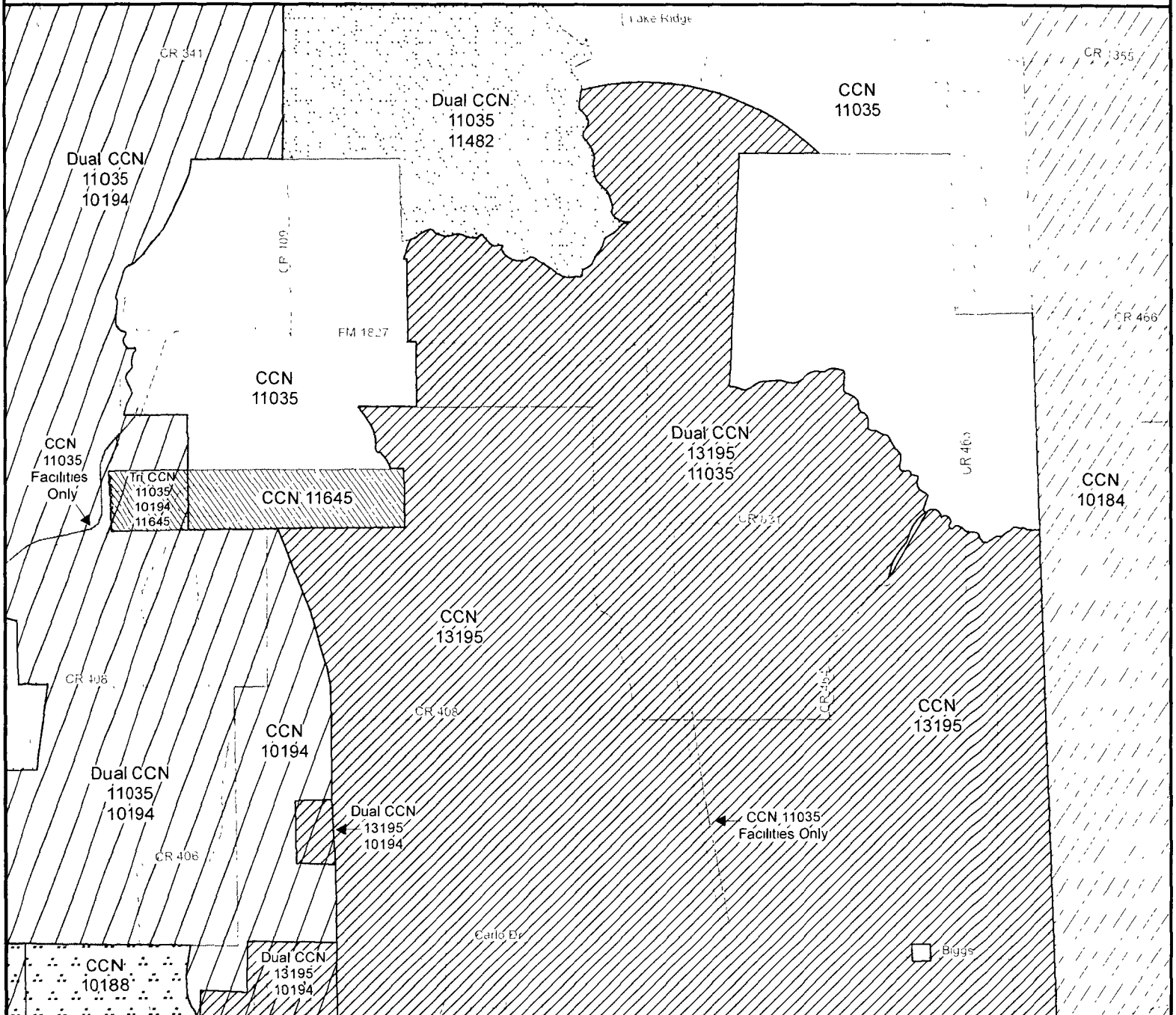
It is expected that the services to the requested area will be comparable to the services provided to the existing customers by the Applicant.

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, approving this application to amend the CCN is necessary for the service, accommodation, convenience and safety of the public.

Applicant consented to the attached map and certificates on September 7, 2018.

Based on the above information, Staff recommends the Commission approve the application, issue an order and provide the attached map, and certificates to the City of Princeton and North Collins SUD. Staff further recommends that the Applicant file certified copies of the CCN map along with a written description of the CCN service area in the county clerk's office pursuant to TWC §§ 13.257 (r)-(s).




City of Princeton  
Portion of Water CCN No. 13195  
PUC Docket No. 46835  
Amended CCN No. 13195 and  
Obtained Dual Certification with North Collin SUD, CCN No. 11035 in Collin County



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

Map by Komal Patel  
Date created August 3, 2018  
Project Path n\finalmapping\46835CityofPrinceton.mxd

### Water CCN

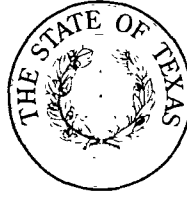
-  13195 - City of Princeton
-  11035 - North Collin SUD
-  11482 - City of Melissa
-  11645 - Windmill Estates Water
-  10194 - City of McKinney
-  10184 - Verona WSC
-  10188 - Milligan WSC

### Facilities Only Water CCN

-  11035 - North Collin SUD

0 1,500 3,000  
Feet





# **Public Utility Commission of Texas**

## **By These Presents Be It Known To All That City of Princeton**

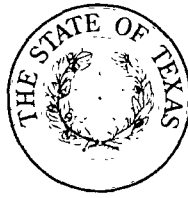
having obtained certification to provide sewer utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, the City of Princeton is entitled to this

### **Certificate of Convenience and Necessity No. 21057**

to provide continuous and adequate sewer utility service to that service area or those service areas in Collin County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 46835 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 City of Princeton, 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 Princeton**

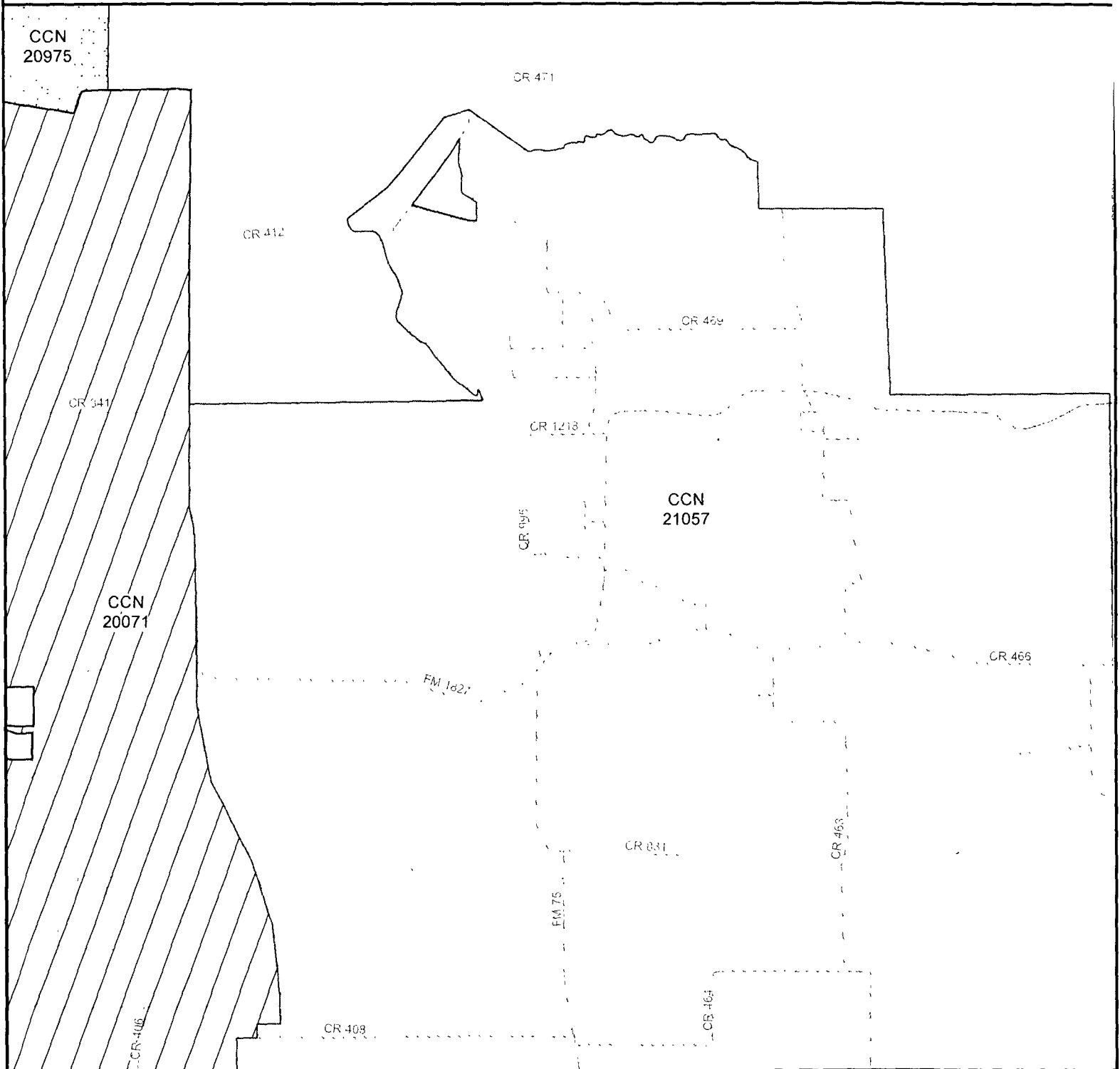
having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, the City of Princeton is entitled to this

### **Certificate of Convenience and Necessity No. 13195**

to provide continuous and adequate water utility service to that service area or those service areas in Collin County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 46835 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 City of Princeton, 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.

City of Princeton  
 Portion of Sewer CCN No. 21057  
 PUC Docket No. 46835  
 Amended CCN 21057 in Collin County



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

**Sewer CCN**

-  21057 - City of Princeton
-  20071 - City of McKinney
-  20975 - City of Melissa

0 1,500 3,000  
 Feet



Map by Komal Patel  
 Date created August 9, 2018  
 Project Path n:\finalmapping\  
 46835CityofPrincetonSewer.mxd