



Control Number: 47200



Item Number: 23

Addendum StartPage: 0

P.U.C. DOCKET NO. 47200

**APPLICATION OF UTILITIES
INVESTMENT CO., INC. DBA RANCH
CREST WATER COMPANY TO AMEND
CERTIFICATES OF CONVENIENCE
AND NECESSITY IN MONTGOMERY
COUNTY**

§
§
§
§
§
§

2018 FEB 13 PM 2:53
**PUBLIC UTILITY COMMISSION
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 Final Recommendation. In support thereof, Staff shows the following:

I. BACKGROUND

On May 23, 2017, Union Grove Water Supply Corporation ("Union Grove" or "Applicant") filed an application to amend its water certificate of convenience and necessity (CCN) No. 10514 in Upshur County, Texas. Union Grove seeks to add three new areas of service that total approximately 2,212 acres and include 35 current customers. Union Grove seeks to be dually-certificated with the City of East Mountain (the "City") in a portion of the new service area.

Order No. 6 set February 13, 2018 as the deadline for Staff to file a final recommendation on the application. Therefore, this responsive pleading is 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 Jolie Mathis 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 map and certificates contained in Attachment B were consented by the City and Union Grove and the consent forms were filed with the Commission on January 31, 2018. Staff further recommends that Union Grove file certified copies of the CCN map 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 the ALJ issue an order reflecting the above recommendation.

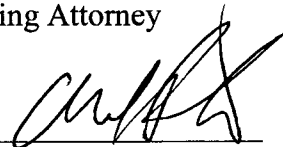
Dated: February 13, 2018

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. 47200
CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record February 13, 2018, in accordance with 16 Texas Admin. Code § 22.74.



Alexander Petak

ATTACHMENT A

PUC Interoffice Memorandum

To: Alex Petak, Attorney
Legal Division

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

From: Jolie Mathis, Utility Engineering Specialist
Water Utility Regulation Division

Date: February 12, 2018

Subject: **Docket No. 47200**, *Application of Union Grove Water Supply Corporation to Amend a Certificate of Convenience and Necessity and for Dual Certification in Certain Areas in Upshur County*

On May 23, 2017 Union Grove Water Supply Corporation filed with the Public Utility Commission of Texas (Commission) an application to amend its water Certificate of Convenience and Necessity (CCN) No. 10514 and to obtain dual certification with a portion of the City of East Mountain's CCN No. 12972 in Upshur County, Texas pursuant to Texas Water Code Ann. §§ 13.242 to 13.250 (TWC) and the 16 Tex. Admin Code §§ 24.101 to 24.107 (TAC).

Background

The Applicant is seeking to amend a water CCN for the service area containing approximately 2,190 acres and 35 existing customers.

Notice

The comment period ended November 11, 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 Identification No. 2300008. The Applicant does not have any violations listed in the TCEQ database.

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

Union Grove WSC desires to amend its CCN area description that will include its current customer base as well as extend its services into the existing CCN boundaries of the City of East Mountain's CCN and expand their existing service area. City of East Mountain currently does not serve along Bob-O-Link road and has agreed to dual certification of this area.

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 any retail public utility servicing the proximate area as there are no other water providers in the 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 Public Water System Identification No. 2300008. The Applicant does not have any violations listed in the TCEQ database.

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

Currently, there are no other water providers in the 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.

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 current and proposed utility service area. 16 TAC § 24.11(e) lists the financial tests. The application included Union Grove's financial statements (balance sheet and profit and loss statement) for the year ended December 31, 2016. The Applicant also provided a five-year projected profit and loss statements, for the years 2017 to 2021.

1. **Leverage Test:** Pursuant to 16 TAC § 24.11(e)(2) the Applicant must meet a leverage test. The Commission's rule provides five methods by which an applicant may satisfy the leverage test, of which the Applicant need only satisfy one. Staff recommends that the Commission find the Applicant meets the test based on three of the five methods.

First method: *The owner or operator must have a debt to equity ratio of less than one, using long term debt and equity or net assets.* The balance sheet of Union Grove as of December 31, 2016, shows that the Applicant has a long-term debt of only \$3,848 and an equity of \$1,137,038, or possesses a debt-to-equity ratio only 0.003, or less than one, satisfying the leverage test method set out in 16 TAC § 24.11(e)(2)(A).

Second method: *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.* Union Grove has a total long-term debt of only \$3,848 as of December 31, 2016. The projections indicate a DSC ratio exceeding 1.25 for all projected years.

Third method: *The owner or operator must have sufficient unrestricted cash available as a cushion for two years of debt service.* The balance sheet of Union Grove shows that the Applicant has a cash balance of \$786,492 and total liabilities of only \$6,682, which includes long-term debt of \$3,848 as of December 31, 2016. This shows that Union Grove is very liquid, satisfying the leverage test method set out in 16 TAC § 24.11(e)(2)(C).

2. **Operations Test:** Pursuant to 16 TAC § 24.11(e)(3) and § 24.11(e)(4)(B), the Applicant must meet the operations test which states that the owner or operator must demonstrate sufficient cash is available to cover any projected operations and maintenance shortages in the next five years of operations for an existing utility. Based on the projected revenues and operating expenses, no operations and maintenance shortages are indicated for the next five years.

Based on the above discussion, Union Grove possesses adequate financial and managerial capability.

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 not be a significant change to the existing system. Therefore, this criterion was not considered.

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

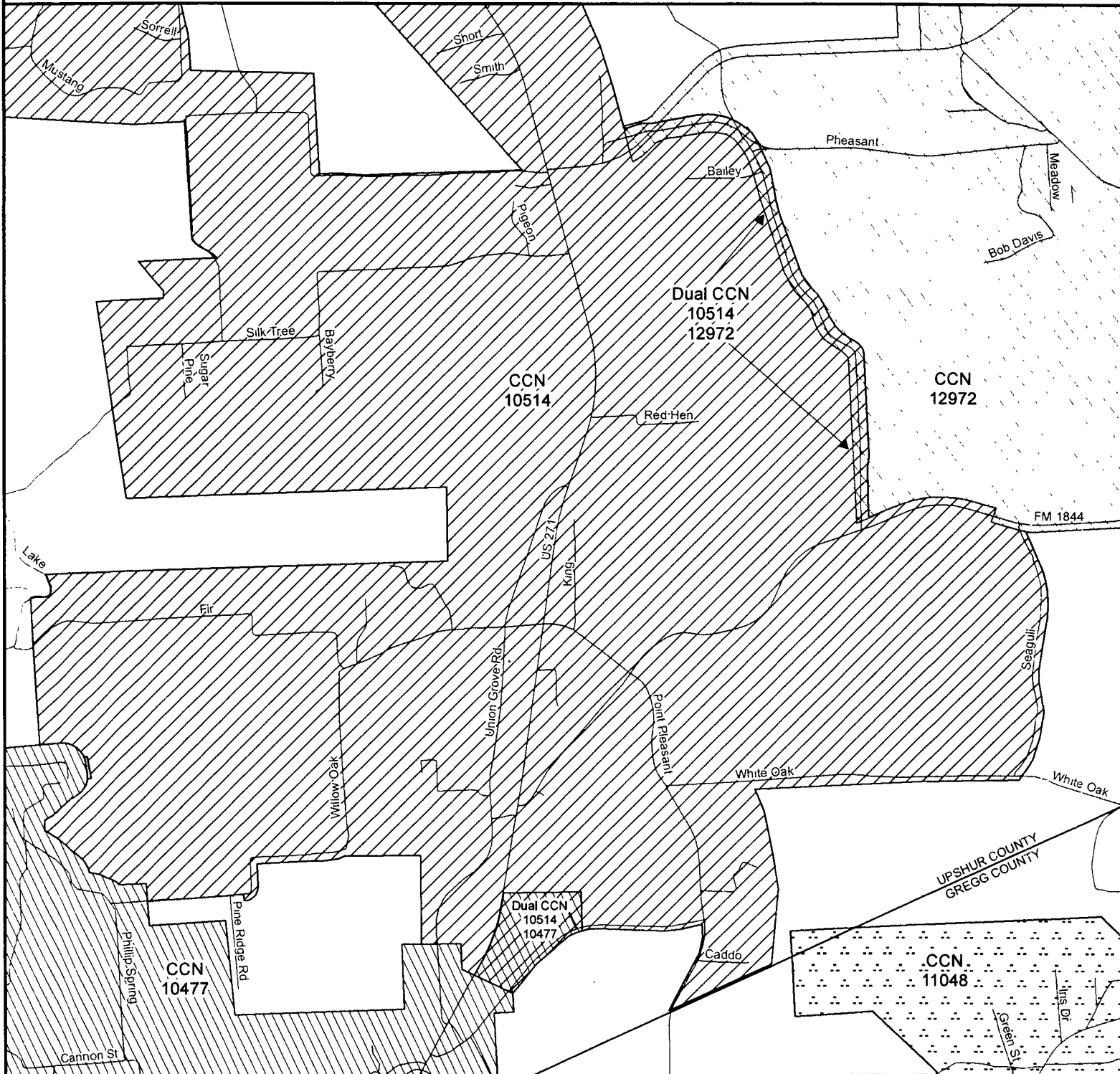
The Applicant will continue to provide water service to the existing customers in the area. Staff recommends that the Applicant meets all of the statutory requirements of Texas Water Code Chapter 13 and the Commission's Chapter 24 rules and regulations, is capable of providing continuous and adequate service and approving this application to amend water CCN No. 10514 and to obtain dual certification with a portion of the City of East Mountain's CCN No. 12972 is necessary for the service, accommodation, convenience and safety of the public.

The Applicant consented to the attached map and certificate on January 31, 2018. The City of East Mountain consented to the attached map and certificate on January 31, 2018.

Based on the above information, Staff recommends the Commission approve the application, issue an order and provide the attached map and certificate(s) to Union Grove Water Supply Corporation. 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).





ATTACHMENT B

Union Grove Water Supply Corporation
 Portion of CCN No. 10514
 PUC Docket No. 47200
 Amended CCN No. 10514 in Upshur County



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

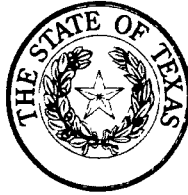
Water CCN

-  10514 - Union Grove WSC
-  10477 - City of Gladewater
-  12972 - City of East Mountain
-  11048 - City of Clarksville City

0 1,500 3,000
 Feet



Map by Komal Patel
 Date created December 15, 2017
 Project Path: n:\finalmapping\47200UnionGrove.mxd



Public Utility Commission of Texas

By These Presents Be It Known To All That

Union Grove 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, Union Grove Water Supply Corporation is entitled to this

Certificate of Convenience and Necessity No. 10514

to provide continuous and adequate water utility service to that service area or those service areas in Upshur County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 47200 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 Union Grove 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 East Mountain

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 East Mountain is entitled to this

Certificate of Convenience and Necessity No. 12972

to provide continuous and adequate water utility service to that service area or those service areas in Upshur & Gregg County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 47200 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 East Mountain, 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.