



Control Number: 47230



Item Number: 15

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DOCKET NO. 47230

**APPLICATION OF HICKORY §
CREEK SPECIAL UTILITY §
DISTRICT TO AMEND A WATER §
CERTIFICATE OF CONVENIENCE §
AND NECESSITY IN HUNT AND §
FANNIN COUNTIES §**

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PUBLIC UTILITY COMMISSION
OF TEXAS
FILING CLERK

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. 4 and would show the following:

I. BACKGROUND

On June 1, 2017, Hickory Creek Special Utility District (HCSUD) filed an application to amend its water Certificate of Convenience and Necessity (CCN) No. 10809 in Hunt and Fannin counties. HCSUD filed supplemental information on August 3, 2017. On October 20, 2017, landowners opted out of HCSUD's requested area. This opt out is reflected in the map attached to this filing.

On November 1, 2017, Order No. 4 was issued deeming HCSUD's notice sufficient and establishing a deadline of January 31, 2018, 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 Andrew Novak 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 HCSUD 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 HCSUD's application is necessary for the service, accommodation, convenience, and safety of the public. Staff therefore recommends that the application be approved.

III. CONCLUSION

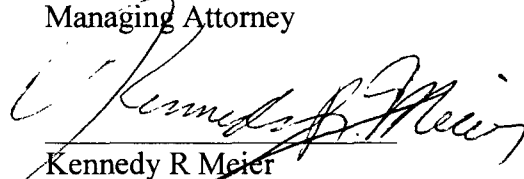
For the reasons detailed above, Staff recommends approval of the application. Proposed findings of fact, conclusions of law, and ordering paragraphs will be filed in accordance with the schedule established in Order No. 4.

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Katherine Lengieza Gross
Managing Attorney

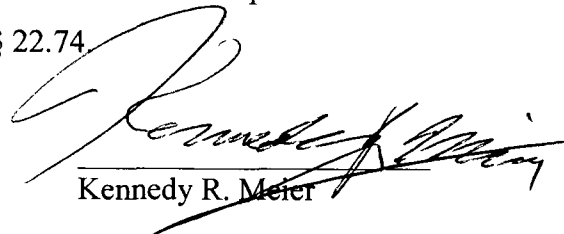


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DOCKET NO. 47230

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the 31st of January, 2018 in accordance with 16 TAC § 22.74.



Kennedy R. Meier

PUC Interoffice Memorandum

TO: Kennedy Meier, Attorney
Legal Division

THRU: Heidi Graham, Manager
Water Utility Regulation Division

FROM: Andrew Novak, Financial Analyst
Water Utility Regulation Division

DATE: January 31, 2018

SUBJECT: **Docket 47230**, *Application of Hickory Creek Special Utility District to Amend a Water Certificate of Convenience and Necessity in Hunt and Fannin Counties*

On June 1, 2017, Hickory Creek Special Utility District (Hickory Creek SUD or Applicant) filed with the Public Utility Commission of Texas (Commission) an application to amend water Certificate of Convenience and Necessity (CCN) No. 10809 pursuant to Texas Water Code Ann. §§ 13.242 to 13.250 (TWC) and 16 Tex. Admin Code §§ 24.101 to 24.107 (TAC). The Applicant is not seeking dual certification with the City of Wolfe City.

Notice

The comment period ended on November 9, 2017 and no requests for hearing were received.

Criteria Considered

TWC § 13.246(c) and 16 TAC § 24.102(d) require 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 TCEQ approved public water system which is in compliance with TCEQ requirements.

TWC § 13.246(c)(2) requires the Commission to consider the need for service in the requested area, including whether any landowners, prospective landowners, tenants, or residents have requested service.

The Applicant already provides water service to some parts of the requested areas, and other land owners within the Applicant's corporate limits have also requested 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 water and sewer utility servicing the proximate area.

There will be no effect on any retail public utility servicing the proximate area, due to the applicant already serving in the requested area.

TWC § 13.246(c)(4) and 16 TAC § 24.102(d)(4) require the Commission to consider the ability to provide adequate service.

The requested area includes existing Hickory Creek SUD customers and facilities that are currently outside of its CCN. The Applicant has adequate production, storage, and distribution systems in

place to provide service to the requested area. A physically separate water system is not required as the area being requested is adjacent to existing Hickory Creek's CCN boundaries.

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

The Applicant currently serves connections in portions of the requested area, thus obtaining service from an adjacent retail provider was not considered.

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 from the Applicant.

Pursuant to 16 TAC § 24.11(e), the Applicant must meet both a leverage test and an operations test. 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 the Applicant's annual financial report for the year ended December 31, 2015.

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 has the financial and managerial capability to provide continuous and adequate service based on two 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 statement of net position of the Applicant as of December 31, 2015, shows that the Applicant has a long-term debt of \$1,145,294 and a total net position of \$2,318,637, which results in a debt-to-equity ratio 0.49, 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 (DSCR) of more than 1.25 using annual net operating income before depreciation and non-cash expenses divided by annual combined long term debt payments.* The amount of principal paid on bonds and interest payments for the year ended December 31, 2015, totals \$141,998. The Applicant's net income (net change in position) before depreciation for the year totals \$311,305. This gives the Applicant a DSCR of 2.19, satisfying the leverage test method set out in 16 TAC § 24.11(e)(2)(B).

2. Operations Test: Pursuant to 16 TAC § 24.11(e)(3), 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. The projected operations and maintenance for the next five years are not available at this time, however, based on the comprehensive annual financial report, the Applicant has cash and cash equivalents of \$140,665 as of December 31, 2015. In addition, the Applicant does not show any operations and maintenance shortages for the next five years. Since the Applicant currently operates existing utilities with sufficient current and future capacity to provide service to the area requested no

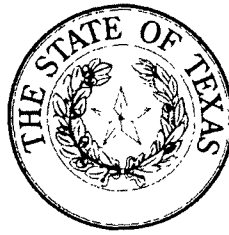
shortages are projected. Furthermore, the cash balances are sufficient to cover any potential operation shortages based on the Applicant's past financial experience.

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 certificated area. There should be minimal effect on the environmental integrity of the land, as it is already developed.

TWC § 13.246(c)(8) requires the Commission to consider the probable improvement in service or lowering of cost to consumers. The granting of the certificate will allow Hickory Creek SUD to facilitate system analysis and facility improvements.

Based on a review of the application and information provided, the Applicant has demonstrated adequate financial, managerial and technical capabilities to provide service to the requested area. The Applicant meets all of the statutory requirements of TWC Chapter 13 and the 16 TAC Chapter 24 rules and regulations. Staff recommends that approval of this application is necessary for the service, accommodation, convenience and safety of the public pursuant to 16 TAC § 24.102(c). The Applicant filed consent to the attached map and certificate on January 18, 2018.

Staff recommends this application be approved, and that the Applicant be provided with a copy of the attached map and certificate. 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 Hunt & Fannin county clerks' offices pursuant to TWC § 13.257 (r)-(s).



Public Utility Commission of Texas

By These Presents Be It Known To All That

Hickory Creek Special Utility District

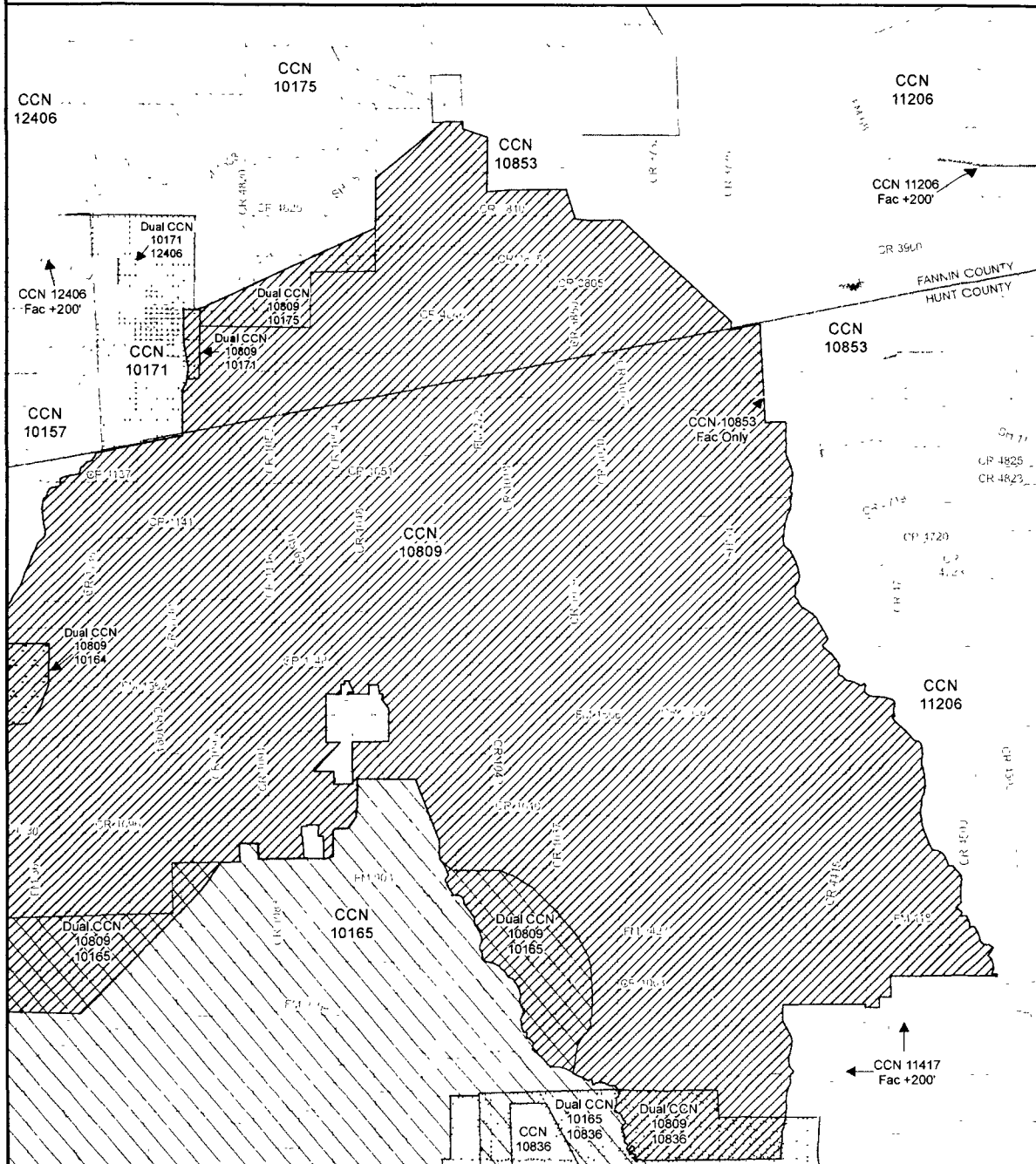
having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, Hickory Creek Special Utility District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

Certificate of Convenience and Necessity No. 10809










to provide continuous and adequate water utility service to that service area or those service areas in Fannin, Hunt and Collin Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 47230 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 Hickory Creek 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 _____ 2017.

Hickory Creek SUD
Portion of Water CCN No. 10809
PUC Docket No. 47230
Amended CCN No. 10809 in Hunt and Fannin Counties



Water CCN

-  10809 - Hickory Creek SUD
-  10175 - Arledge Ridge WSC
-  10853 - City of Wolfe City
-  11206 - North Hunt SUD
-  10836 - City of Greenville
-  10165 - Caddo Basin SUD
-  10164 - Frognot WSC
-  10157 - West Leonard WSC
-  10171 - City of Leonard

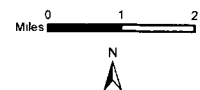
Water Facility CCN

- 12406 - Southwest Fannin County SUD
- 10853 - City of Wolfe City
- 11206 - North Hunt SUD
- 11417 - Jacobia WSC



Public Utility Commission of Texas
1701 N. Congress Ave
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12406 - Southwest Fannin County SUD



Map by: Komal Patel
Date created: December 29, 2017
Project Path: n:\finalmapping\47230HickoryCreekSUD.mxd