



Control Number: 47389



Item Number: 20

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RECEIVED

APPLICATION OF FOREST GLEN
UTILITY COMPANY TO AMEND A
SEWER CERTIFICATE OF
CONVENIENCE AND NECESSITY
IN MEDINA COUNTY

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PUBLIC UTILITY COMMISSION
OF TEXAS

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PUBLIC UTILITY COMMISSION
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. 5 and would show the following:

I. BACKGROUND

On July 10, 2017, Forest Glen Utility Company (Applicant) filed an application to obtain a water Certificate of Convenience and Necessity (CCN) in Medina County, Texas, pursuant to Texas Water Code (TWC) §§ 13.242-.250 and 16 Tex. Admin Code (TAC) §§ 24.101-.107. The Applicant proposed that the CCN include 84.62 acres with 0 current customers. The proposed CCN area is currently undeveloped, in the process of being platted into a subdivision, and future lot owners will have a need for potable water service from Forest Glen Utility Company.

Order No. 5 required Staff to provide a final recommendation regarding administrative completeness of this application by January 3, 2018.

II. FINAL RECOMMENDATION

Staff has reviewed the application, and as supported by the attached memorandum from Janie Kohl and Jolie Mathis of the Water Utility Division, recommends that the application be approved.

III. CONCLUSION

Staff respectfully requests that the ALJ issue an order consistent with Staff's recommendations.

PUBLIC UTILITY COMMISSION
LEGAL DIVISION

Respectfully Submitted,

Margaret Uhlig Pemberton
Division Director

Karen S. Hubbard
Managing Attorney



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DOCKET NO. 47389

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on December 20, 2017, in accordance with P.U.C. Procedural Rule 22.74.

Landon J. Lill

PUC Interoffice Memorandum

To: Landon Lil, Attorney
Legal Division

From: Janie Kohl, Financial Analyst
Jolie Mathis, Engineering Specialist
Water Utility Regulation

Through: Heidi Graham, Technical Manager
Water Utility Regulation

Date: December 12, 2017

Subject: **Docket 47389**, *Application of Forest Glen Utility Company to Amend a Certificate of Convenience and Necessity in Medina County*

On July 10, 2017, Forest Glen Utility Company (Applicant) filed an application to amend sewer Certificate of Convenience and Necessity (CCN) No. 21070 in Medina County, Texas, pursuant to Texas Water Code §§ 13.241-250 (West 2008) (TWC) and 16 Tex. Admin Code §§ 24.101-107 (TAC). The Applicant requested to amend its existing sewer service area to include 84.62 acres with zero current customers. The Applicant plans to serve an additional 114 customers in the requested area.

The comment period ended November 25 2017, and the Commission did not receive any protests or landowner opt outs.

Requirements:

TWC §13.241(c) & 16 TAC §24.102(a)(2)

For sewer utility service, the commission shall ensure that the applicant is capable of meeting the commission's design criteria for sewer treatment plants and the requirements of this code. The Applicant stated that the requested area will be associated with Water Quality Permit No. WQ0015030001 which was approved by the TCEQ on October 30, 2012.

The Applicant has no current unresolved violations of TCEQ rules under the water quality permit associated with the requested areas in this application. Additionally, the Applicant employs one TCEQ licensed Grade C sewer operator. The Applicant has demonstrated that it is capable of providing sewer service that meets the TCEQ rules. Therefore, the Applicant meets the requirements of TWC §13.241(c) and 16 TAC §24.102(a)(2).

TWC § 13.246(c) requires the Commission to consider nine criteria when granting or amending a CCN. The following criteria were considered:

TWC §13.246(c)(1) & 16 TAC §24.102(d)(1)

In considering whether to amend a certificate, the Commission shall consider the adequacy of service currently provided to the requested area. Staff reviewed TCEQ's Central Registry and Drinking Water Watch and verified the Applicant has resolved all outstanding violations.

TWC § 13.246(c)(2)

Requires the Commission to consider the need for service in the requested area. The Applicant plans to serve 114 new customers in the near future as lots are sold and developed.

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. The Applicant's CCN boundaries will be amended to include the requested area. The requested area is adjacent to area already certificated to the Applicant and is not adjacent to any of the five neighboring utilities. Therefore, there is no effect on any other retail providers.

TWC § 13.246(c)(4) & 16 TAC § 24.102(d)(4)

In considering whether to amend a certificate, the Commission shall consider the ability of the Applicant to provide adequate service, including meeting the standards of the commission, taking into consideration the current and projected density and land use of the area. The application seeks to obtain approval to add one tract of land consisting of 84.62 acres that has zero current customers.

Total sewer service connections currently served are 375. No construction approval from TCEQ is necessary to serve the future 114 connections in the requested 84.62 acres. The Applicant's existing Water Quality Permit has excess capacity to serve future customers in the requested area.

TWC § 13.246(c)(5)

Requires the Commission to consider the feasibility of obtaining service from an adjacent retail public utility. There are five neighboring, non-adjacent utilities that are capable of providing service. However, the Applicant is a more suitable option since the requested area is adjacent to the Applicant and the Applicant's existing facilities have adequate capacity to serve current and projected customer's needs. Therefore, it is not necessary to consider the feasibility of obtaining service from another entity.

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 Texas Admin. Code § 24.11 (TAC) establishes criteria and the financial tests 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. Staff notes that 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's debt to equity ratio for 2017 was 0.32. A ratio of less than 1 to 1 is preferred for analysis of financial/managerial capabilities because it demonstrates that the Applicant has sufficient leverage to allow for funding of future capital investments. Net income for 2017 was \$310,800 while depreciation expense was \$57,150. Annual long term debt payments were \$96,334. Therefore, the debt service coverage ratio is 3.82. A ratio of at least 1.25:1 is preferred when reviewing financial capability to ensure that reserve funds for debt payment and repairs and maintenance are built up and maintained.

16 TAC § 24.11(e)(4)(B)(iii)(I) refers to the operations test. This states that the owner or operator of an existing utility must demonstrate sufficient cash is available to cover any projected operations and maintenance shortages for the next three years of operations. The Applicant provided projected financial statements for the next five years demonstrating net

income ranging from \$310,800 to \$2,188,060 with no operations and maintenance shortages. Thus, the operations test has been met.

TWC §§ 13.246(7) and (9)

Requires the Commission to consider the environmental integrity and the effect on the land to be included in the certificate. The land will be minimally affected during the installation of collection lines to serve each new customer as the 114 lots are developed.

TWC § 13.246(8)

Requires the Commission to consider the probable improvement in service or lowering of cost to consumers. Sewer service provided by the Applicant will be unchanged by the amendment of the requested area since the Applicant has adequate facilities and capacity to provide service to the requested area. There will be no change in utility rates subsequent to the amendment of the CCN.

Based on Staff's review of the application and information provided by the Applicant, the Applicant has demonstrated adequate financial, managerial, and technical capabilities to provide service to the requested areas.

Recommendation:

Staff recommends that the Applicant meets all of the statutory requirements of TWC Chapter 13 and 16 TAC Chapter 24 rules and regulations and is capable of providing continuous and adequate service. Approving this application is necessary for the service, accommodation, convenience and safety of the public.

The Applicant consented to the attached map, tariff and certificate on December 12, 2017.

Based on the information above, Staff recommends the Commission issue an order approving the application and provide the attached map, tariff and certificates to the Applicant. Staff further recommends that the Applicant file a certified copy 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).